

56th YEAR OF
PUBLICATION

V. G. MEHTA'S INCOME-TAX READY RECKONER

ASSESSMENT YEAR
1994-95

WITH

RATES TABLES AND EXAMPLES FOR:

- (1) CAPITAL GAINS
- (2) WEALTH-TAX
- (3) GIFT-TAX
- (4) COMPANIES
- (5) GIST OF IMPORTANT CIRCULARS
ON DIRECT TAXES FROM 1970 & ONWARDS
- (6) LIST OF BONUS SHARES FROM 1-4-81 TO 31-3-94

ASSESSMENT YEAR

1995-96

FOR DEDUCTION OF TAX FROM "SALARIES"

&

COMPUTATION OF "ADVANCE TAX"

during the Financial year 1994-95

By

N. V. MEHTA

B.COM., LL.B., F.C.A.

PUBLISHERS:

SHRI KUBER PUBLISHERS' HOUSE

COURT HOUSE, DHOBI TALAO,
BOMBAY 400 002.

TEL. NO. 201-532

FINANCE ACT, 1994 WITH NOTES	4
I.T. NOTES GENERAL	43
I.T. NOTES SALARY	62
I.T. NOTES PROPERTY	86
I.T. NOTES BUSINESS & PROFESSION	93
I.T. NOTES CAPITAL GAINS	118
QUOTATIONS AS ON 1-4-1981	139
I.T. NOTES OTHER SOURCES, RETURNS, ASSESSMENT AND LOSSES	147
I.T. NOTES ASST. OF FIRMS, INT., PENALTIES, ETC.	163
EXCLUSIONS FROM TOTAL INCOME	173
DEDUCTIONS FROM GROSS TOTAL INCOME	186
REBATE OF (DEDUCTION FROM) INCOME-TAX	205
I.T. TABLES INDIVIDUALS, SP. HUFs., FIRMS, 1994-95	210
I.T. TABLES CO-OP. SOCIETY, LTD. COMPANIES FOR 1994-95 & 1995-96	221
WEALTH-TAX RATES, VALUATION RULES, NOTES, TABLE, EXAMPLE, FOR 1994-95	228
QUOTATIONS FOR GOLD & SILVER, BONUS SHARES LIST, GIFT-TAX	262
MONTHLY SALARY TABLES FOR F.Y. 1994-95	272
ADVANCE TAX NOTES, INTEREST, WITH EXAMPLES	277
I.T. TABLES INDIVIDUALS, SP. HUFs., 1995-96 WITH EXAMPLES	284
GIST OF CIRCULARS PRES. FORMS, TDS CHART, SEARCH & SEIZURE	299

TWO MINUTES PLEASE: Before

You proceed to go through this publication, may I draw your kind attention to the following:
This "Income-tax Ready Reckoner" is based on the Direct Tax Laws as amended by the Finance Act, 1994.

Rates of Income-tax and Surcharge:

In the case of individuals, non-specified H.U.Fs., AOPs, etc., exemption limit for income-tax has been raised from Rs. 30,000 (for assessment year 1994-95) to Rs. 35,000 (for assessment year 1995-96). The rate of income-tax applicable to slab of income of: (a) Rs. 50,000 to Rs. 60,000 is 20% as against 30% in the preceding assessment year; (b) Rs. 60,000 to Rs. 1,00,000 is 30% as in the preceding assessment year; (c) Rs. 1,00,000 to Rs. 1,20,000 is 30% as against 40% in the preceding assessment year, and (d) Rs. 1,20,000 and above is 40% as in the preceding assessment year [Refer page 26 & 30].

In the case of specified H.U.Fs., firms, co-operative societies and local authorities, the basic rates of income-tax at all level of taxable income are the same for assessment years 1994-95 and 1995-96.

In the case of non-corporate resident assessee, for assessment year 1995-96, surcharge at the rate of 12% on income-tax is not payable even where the taxable income exceeds Rs. 1,00,000 as in the preceding assessment year.

In the case of domestic companies in which the public are substantially interested and domestic companies in which the public are not substantially interested, the rate of income-tax is 40% as against 45% or 50%, respectively, of the taxable income as in the preceding assessment year. Surcharge at the rate of 15% of income-tax is payable by such companies where the taxable income exceeds Rs. 75,000 as in the preceding assessment year [Refer page 27 & 31].

The rates at which tax is required to be deducted at source during the financial year 1994-95 from income by way of interest on securities, dividends, etc. are specified in Part II of the First Schedule to the Finance Act, 1994. These rates are the same as those specified in Part II of the First Schedule to the Finance Act, 1993, except that on income by way of dividends, units of Unit Trust of India purchased in foreign currency, long-term capital gains, etc. payable to non-residents, non-resident Indians and foreign companies have been reduced/deductible. For details, refer page 32. It may be noted that, deduction in respect of surcharge at the rate of 12% on income-tax is not to be made where the payment is made to a non-corporate resident assessee, non-resident, non-resident Indian or foreign company. However, deduction in respect of surcharge at the rate of 15% on income-tax is to be made where the payment is made to a domestic company.

W.e.f. 1-6-1994, tax is required to be deducted at source at the rate of 20% on income by way of rent payable by persons other than individual and H.U.F. For further details, refer page 32.

INCOME-TAX

In relation to assessment year 1995-96:

1. The period of stay in India in the case of Indian citizens/non-resident Indians for determining the non-resident status extended from 150 days or more to 182 days or more [Refer Para 4.1 on page 34].
2. Physically handicapped minor child's income not to be included in income of any parent u/s. 64(1A). Consequently, section 80V omitted [Refer Para 9.1 on page 38].
3. Monetary limit raised from Rs. 25,000 to Rs. 50,000 for the purposes of audit in the case of trusts claiming exemption u/s. 11/12 and of substantial contribution to the trusts by the person referred to in section 13(3)(b) [Refer Para 3.1 on page 34].
4. Tax exemption u/s. 10(10C) on payment under voluntary retirement scheme extended to employees of co-operative societies, Universities, etc. [Refer Para 1.1 on page 33].
5. Deduction in respect of interest payment for construction, etc., of self-occupied house raised from Rs. 5,000 to Rs. 10,000 [Refer Para 6.1 on page 35]. Loss under the head "Income from house property" can be set off in the same assessment year against any other head of income [Refer Para 6.2 on page 35].
6. Benefit of weighted deduction @125% available u/s. 35(2AA) extended even in respect of any sum paid to a University or Indian Institute of Technology [Refer Para 7.2 on page 35]. Provisions of simplified procedure for small businessmen u/s. 115K to 115N extended beyond assessment year 1994-95 [Refer Para 7.6 on page 37].
7. Capital gains arising on transfer of quoted securities and units of Unit Trust of India/Mutual Funds, if held for more than 12 months to be categorised as long-term capital asset [Refer Para 8.1 on page 37]. Gains arising on transfer of tenancy rights, route permits and lorry hours chargeable as capital gains [Refer Para 8.2(A) on page 37]. The manner and method of determining the cost of right shares/securities, etc. prescribed [Refer Para 8.2(B) on page 38]. Long-term capital gains to be charged @ the flat rate of 30% as against 40% in the case of companies and @ 20% as against 40% in the case of foreign companies [Refer Para 8.3 on page 38].
8. Deduction in respect of: (a) repayment of loan and/or interest thereon, borrowed for higher education not exceeding Rs. 25,000 per year for 8 assessment years u/s. 80E [Refer Para 10.1 on page 37]; (b) earnings in convertible foreign exchange u/s. 80HHD in the case of first recipient of foreign exchange, deduction to be limited to payments made by the foreign tourist and retained by him [Refer Para 10.3 on page 39]; (c) profits from export of computer software, etc. u/s. 80HHE extended to assessment year 1995-96 [Refer Para 10.4 on page 39]; and (d) profits and gains from industrial undertakings, etc. u/s. 80-IA @100% extended to industrial undertaking located in notified industrially backward district [Refer Para 10.5(b) on page 39].
9. Contribution to notified pension fund of Unit Trust of India eligible for rebate u/s. 38 [Refer Para 11.1(B) on page 39]. Additional rebate u/s. 88B to resident senior citizens enhanced from 20% to 40% of the tax payable by them and ceiling limit of gross total income enhanced from Rs. 75,000 to Rs. 1,00,000 [Refer Para 11.2 on page 39].
10. Uniform rate of income-tax for non-residents on certain incomes [Refer Para 12 on page 40].

[Concluded on page 42]

V. G. MEHTA'S INCOME-TAX READY RECKONER

ASSESSMENT YEAR

1994-95

WITH

RATES TABLES AND EXAMPLES FOR:

- | | |
|--|----------------|
| (1) CAPITAL GAINS | (2) WEALTH-TAX |
| (3) GIFT-TAX | (4) COMPANIES |
| (5) GIST OF IMPORTANT CIRCULARS
ON DIRECT TAXES FROM 1970 & ONWARDS | |
| (6) LIST OF BONUS SHARES FROM 1-4-1981 TO 31-3-1994 | |

ALSO

ASSESSMENT YEAR

1995-96

FOR DEDUCTION OF TAX FROM "SALARIES"

&

COMPUTATION OF "ADVANCE TAX"

during the Financial year 1994-95

By

N. V. MEHTA

CHARTERED ACCOUNTANT

PUBLISHERS:

SHRI KUBER PUBLISHING HOUSE

COURT HOUSE, DHOBI TALAO,
BOMBAY 400 002.

TEL. NO. 201.5532

PRICE: Rs. 180

with

PLASTIC JACKET

©

v compi

• Tax Laws

INDEX

	Page		Page
Finance Act, 1994	4	(e) Reserves for shipping business ..	103
Salient features of the Finance Act, 1994	32	(f) Expenditure on scientific research ..	103
Explanatory notes in respect of:		(g) Bonus, commission, bad debts, travelling expenditure, etc. ..	106
I. <i>Definition:</i>		(h) Amounts not deductible ..	110
(a) Assessment & assessment year ..	43	(i) Special provisions for computing profits from business in certain cases ..	113
(b) Previous year ..	43	(j) Maintenance of books of account ..	115
(c) Assessee ..	43	(k) Compulsory audit ..	116
(d) Resident, non-resident, etc. ..	44	VI. <i>Capital gains:</i>	
(e) Non-resident Indian residing outside India ..	47	(a) Definitions ..	118
Deemed income with examples ..	51	(b) Charge of capital gain ..	119
Partial partition of H.U.F. ..	54	(c) Transactions not regarded as transfer ..	121
Private discretionary trusts & Oral trusts. .	55	(d) Mode of computation and deductions, Notification on Cost Inflation Index ..	121-122
II. <i>Charitable and religious trusts:</i>		(e) On depreciable assets ..	125
Extent and conditions for exemptions ..	56	(f) Exemptions ..	126
III. <i>Salaries:</i>		(g) Tax on long-term capital gains ..	134
(a) Income assessable under the head "Salaries" ..	62	(h) Equity shares quotations, etc. as on 1-4-1981 ..	136 & 139
(b) Exempt allowances u/s. 10(14) ..	63	VII. <i>Income from other sources:</i>	
(c) Gratuities received:		(a) Dividends ..	147
(i) by Government employees ..	64	(b) Winnings from lotteries, races, etc. etc. ..	148
(ii) under the Payment of Gratuity Act, 1972 ..	64	(c) Interest on securities ..	148
(iii) by employees of private sector ..	65	(d) Unexplained cash credits, etc. ..	149
(d) Relief u/s. 89(1) in respect of salary received in arrears, etc. ..	66	(e) Mode of taking loans & deposits ..	150
(e) Approved superannuation fund ..	68	VIII. <i>Returns:</i>	
(f) Encashment of earned leave ..	69	(a) Voluntary return ..	151
(g) Perquisites:		(b) Loss return, belated return, revised return, etc. ..	151
(i) Rent-free quarters ..	70	(c) Defective return ..	151
(ii) Concessional rent ..	72	IX. <i>Kinds of assessment:</i>	
(iii) Chart showing value of perquisites and permissible deductions in certain cases ..	73	(a) Self-assessment ..	153
(iv) In respect of car, gas, etc. ..	74	(b) Acceptance of return ..	153
(v) Free education, etc. ..	74	(c) Regular and best judgment assessment ..	155
(vi) Medical expenses ..	75	(d) Time limit for completion of assessment and rectifications ..	156
(h) Exempt perquisites:		X. <i>Miscellaneous:</i>	
(i) House rent allowance ..	76	(a) Set off and carry forward of losses ..	157
(ii) Conveyance and travelling ..	78	(b) Speculation loss ..	158
(iii) Leave travel concession ..	78	(c) Loss under head "Capital gains" ..	159
(i) Non-taxable perquisites ..	79	(d) New scheme of assessment of firms and its partners [for assessment year 1993-94 & onwards] ..	163
(j) Salaries of foreign technicians ..	80	(e) Interest payable for defaults ..	165
(k) Deductions from "Salaries" ..	80	(f) Interest receivable ..	165
(l) Deduction of tax from "Salaries" ..	81	(g) Interest chart ..	165
(m) Text of Rule 2BA and Rule 3A ..	83	(h) Penalty chart ..	165
IV. <i>House property:</i>		(i) Waiver of penalty ..	172
(a) Annual value ..	86	Exclusions from total income:	
(b) Concession for newly constructed properties ..	89	Income not liable to be included in total income ..	173
(c) Self-occupied property ..	90	Deductions from gross total income:	
(d) Deductions from property income ..	91	Deductions in details with limits, conditions and examples ..	186
V. <i>Profits and gains of business or profession:</i>		Deductions from income-tax:	
(a) Deemed income ..	93	(a) In respect of L.I.P., etc. u/s. 88 ..	205
(b) Depreciation ..	94	(b) Additional rebate u/s. 88B ..	205
(c) Rates of depreciation for asstt. year 1988-89 & onwards and revised rates in respect of certain assets for assessment years 1992-93/1994-95 & onwards ..	98		
(d) Unabsorbed depreciation ..	100		

INDEX — Contd.

ASSESSMENT YEARS 1994-95 & 1995-96

Accounting periods: { Financial year ending on 31-3-1994.
Financial year ending on 31-3-1995.

	Page
Income-tax & Surcharge tables:	
ASSESSMENT YEAR 1994-95	
(i) <i>Individuals, H.U.Fs., A.O.Ps., non-residents, etc.:</i>	
<i>Taxable income:</i>	
(1) Between Rs. 30,000 & Rs. 50,000	210-211
(2) Between Rs. 50,000 & Rs. 1,00,000	212-213
(3) Between Rs. 1,00,000 & Rs. 6,00,000	214-215
<i>Examples for deductions, etc.</i>	284-289
(ii) <i>Hindu undivided families:</i>	
Where the total (taxable) income of any one member exceeds Rs. 30,000:	
<i>Taxable income:</i>	
Between Rs. 18,000 & Rs. 5,00,000	216-217
(iii) <i>Firms:</i>	
<i>Taxable income:</i>	
Between Rs. 10 & Rs. 10,00,000	218
Examples	219
(iv) <i>Co-operative societies:</i>	
Deductions, example & table	221-222
(v) <i>Companies:</i>	
(1) Table for income-tax & surcharge for assessment years 1994-95 & 1995-96	223 & 227
(2) Examples and computation of income-tax & surcharge for closely-held & widely-held domestic companies	224-226
Wealth-tax	
(1) Rates of wealth-tax for assessment years 1993-94 & 1994-95 & Rules for valuation of assets	228-232
(2) Exemptions:	
(a) For assessment years 1993-94 to 1995-96	233
(b) For assessment year 1992-93	234-237
(3) Salient features of the Act with explanatory notes and penalties leviable	238-258
(4) Wealth-tax table for assessment year 1994-95	259
(5) Exempted assets explained with example.	260-261
(6) Example for company	226
(7) Market rate of gold & silver	262
(8) Market rates of gold and silver from 31-10-78 to 31-3-94	262
(9) List of bonus shares from 1-4-81 to 31-3-94	263-268
Gift-tax	
Rates, exemptions and examples	269-271
ASSESSMENT YEAR 1995-96	
<i>Monthly Salary:</i>	
<i>For deduction of tax during the financial year 1994-95:</i>	
Deduction of tax @ source and example	272
<i>Monthly salary tables:</i>	
From Rs. 2,918 to Rs. 11,300 per month salary	273-276

	Page
Advance tax	
Main features of payment of advance tax in respect of assessment year 1989-90 and onwards	277-283
Income-tax tables:	
<i>Advance tax:</i>	
(i) <i>Individuals, H.U.Fs., A.O.Ps., non-residents, etc.:</i>	
Examples for deductions, aggregation of agricultural income, etc. etc. for assessment years 1994-95 & 1995-96	284-289
<i>Taxable income:</i>	
(1) Between Rs. 35,000 & Rs. 60,000	290-291
(2) Between Rs. 60,000 & Rs. 1,20,000	292-293
(3) Between Rs. 1,20,000 & Rs. 10,00,000	294-295
(ii) <i>Hindu undivided families:</i>	
Where the total (taxable) income of any one member exceeds Rs. 35,000:	
<i>Taxable income:</i>	
Between Rs. 18,000 & Rs. 5,00,000	296-297
(iii) <i>Firms:</i>	
<i>Taxable income:</i>	
Between Rs. 10 & Rs. 10,00,000	220
<i>Tax Savings Plan</i>	298
Important Circulars	
(1) On Finance Acts, etc.	299-300
(2) On tax @ source/collection of tax @ source	300-302
(3) On Income-tax	303-316
(4) On Wealth-tax & Gift-tax	316-317
TDS Chart	
Chart for deduction of tax @ source during financial year 1994-95	318-319
<i>Important Prescribed Forms under the Income-tax Rules, 1962</i>	320-322
<i>Search and Seizure under Income-tax Act</i>	323-325
Typical steps	
From Rs. 30,000 to Rs. 6,00,000 taxable income for the assessment years 1994-95 & 1995-96	326-327
Obligations	
Statutory compliances on various dates under the Direct Tax Laws	328

THE FINANCE ACT, 1994

AN ACT

to give effect to the financial proposals of the Central Government for the financial year 1994-95.

Be it enacted by Parliament in the Forty-fifth Year of the Republic of India as follows:—

CHAPTER I : PRELIMINARY

1. **Short title and commencement.** (1) This Act may be called the Finance Act, 1994.

(2) Save as otherwise provided in this Act, sections 2 to 59 (except section 26) shall be deemed to have come into force on the 1st day of April, 1994.

CHAPTER II : RATES OF INCOME-TAX

2. **Income-tax.** (1) Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 1994, income-tax shall be charged at the rates specified in Part I of the First Schedule and such tax as reduced by the rebate of income-tax calculated under Chapter VIII-A of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) shall be increased,—

(a) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and

(b) in the cases to which Paragraph E of that Part applies, by a surcharge, calculated in each case in the manner provided therein.

(2) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part I of the First Schedule applies, where the assessee has, in the previous year, any net agricultural income exceeding six hundred rupees, in addition to total income, and the total income exceeds,—

(i) in a case to which the said Sub-Paragraph I applies, thirty thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, eighteen thousand rupees, then,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) [that is to say, as if the net agricultural income were comprised in the total income after,—

(i) in a case to which the said Sub-Paragraph I applies, the first thirty thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, the first eighteen thousand rupees,

of the total income but without being liable to tax], only for the purpose of charging income-tax in respect of the total income; and

(b) the income-tax chargeable shall be calculated as follows:—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income;

(ii) the net agricultural income shall be increased,—

(A) in a case to which the said Sub-Paragraph I applies, by a sum of thirty thousand rupees; and

(B) in a case to which the said Sub-Paragraph II applies, by a sum of eighteen thousand rupees,

and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income;

(iii) the amount of income-tax determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax determined in accordance with sub-clause (ii) and the sum so arrived at shall be the income-tax in respect of the total income:

Provided that the amount of income-tax so arrived at, as reduced by the rebate of income-tax calculated under Chapter VIII-A of the Income-tax Act, shall, in the case of every person having a total income exceeding one hundred thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of twelve per cent. of such income-tax and the sum so arrived at shall be the income-tax in respect of the total income.

(3) In cases to which the provisions of Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167B of the Income-tax Act apply, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be:

Provided that the amount of income-tax computed in accordance with the provisions of section 112 shall be increased by a surcharge for purposes of the Union or surcharge as provided in Paragraph A, B, C, D or E, as the case may be, of Part I of the First Schedule:

Provided further that in respect of any income chargeable to tax under section 115B or section 115BB of the Income-tax Act,—

(a) the income-tax computed under section 115B shall be increased by a surcharge calculated at the rate of fifteen per cent. of such income-tax; and

(b) the income-tax computed under section 115BB shall be increased,—

(i) in the case of a person other than a company, being a resident in India, by a surcharge for purposes of the Union calculated at the rate of twelve per cent. of such income-tax; and

(ii) in the case of a domestic company, by a surcharge calculated at the rate of fifteen per cent. of such income-tax.

(4) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule and shall be increased in the cases to which the provisions of sub-item (a) of item 2 of that Part apply, by a surcharge, calculated in the manner provided therein.

(5) In cases in which tax has to be deducted under sections 194C, 194EE, 194F, 194G and 194-I of the Income-tax Act, the deduction shall be made at the rates specified in those sections and shall be increased in the case of an assessee, being a domestic company, by a surcharge calculated at the rate of fifteen per cent. of such deduction.

(6) In cases in which tax has to be collected under section 206C of the Income-tax Act, the collection shall be made at the rates specified in that section and shall be increased in the case of a buyer, being a domestic company, by a surcharge calculated at the rate of fifteen per cent. of such collection.

(7) Subject to the provisions of sub-section (8), in cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule and such tax shall be increased in the cases to which Paragraph E of that Part applies, by a surcharge, calculated in the manner provided therein:

Provided that in cases to which the provisions of Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167B of the Income-tax Act apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be:

Provided further that the amount of income-tax computed in accordance with the provisions of section 112 shall be increased by a surcharge as provided in Paragraph E of Part III of the First Schedule:

Provided also that in respect of any income chargeable to tax under section 115B, or in the case of a domestic company, under section 115BB, of the Income-tax Act, the "advance tax" computed under the first proviso shall be increased by a surcharge calculated at the rate of fifteen per cent. of such "advance tax".

(8) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part III of the First Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than the previous year,

in such other period, any net agricultural income exceeding six hundred rupees, in addition to total income and the total income exceeds,—

- (i) in a case to which the said Sub-Paragraph I applies, thirty-five thousand rupees, and
- (ii) in a case to which the said Sub-Paragraph II applies, eighteen thousand rupees,

then, in calculating income-tax under the first proviso to sub-section (5) of section 132 of the Income-tax Act or in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates in force,—

- (a) the net agricultural income shall be taken into account, in the manner provided in clause (b) [that is to say, as if the net agricultural income were comprised in the total income after,—

- (i) in a case to which the said Sub-Paragraph I applies, the first thirty-five thousand rupees, and

- (ii) in a case to which the said Sub-Paragraph II applies, the first eighteen thousand rupees,

of the total income but without being liable to tax], only for the purpose of calculating, charging or computing such income-tax or, as the case may be, "advance tax" in respect of the total income; and

- (b) such income-tax or, as the case may be, "advance tax" shall be so calculated, charged or computed as follows:—

- (i) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance tax" shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income;

- (ii) the net agricultural income shall be increased,—

- (A) in a case to which the said Sub-Paragraph I applies, by a sum of thirty-five thousand rupees; and

- (B) in a case to which the said Sub-Paragraph II applies, by a sum of eighteen thousand rupees,

and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in the said Sub-Paragraph I or, as the case may be, the said Sub-Paragraph II as if the net agricultural income as so increased were the total income;

- (iii) the amount of income-tax or "advance tax" determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (ii) and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income.

- (9) For the purposes of this section and the First Schedule,—

- (a) "company in which the public are substantially interested" means a company within the meaning of clause (18) of section 2 of the Income-tax Act, and includes a subsidiary of such company if the whole of the share capital of such subsidiary company has been held by the parent company or by its nominees throughout the previous year;

- (b) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1994, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of the Act;

- (c) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance);

- (d) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule;

- (e) all other words and expressions used in this section or in the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings respectively assigned to them in that Act.

CHAPTER III: DIRECT TAXES

INCOME-TAX

3. Amendment of section 2. In section 2 of the Income-tax Act,—

(a) in clause (19A), after the words "Deputy Commissioner of Income-tax", the words "or an Additional Commissioner of Income-tax" shall be inserted with effect from the 1st day of June, 1994;

(b) in clause (19B), after the words and brackets "Deputy Commissioner of Income-tax (Appeals)", the words and brackets "or an Additional Commissioner of Income-tax (Appeals)" shall be inserted with effect from the 1st day of June, 1994;

(c) after clause (19B), the following clause shall be inserted with effect from the 1st day of June, 1994, namely:—

(19C) "Deputy Director" means a person appointed to be a Deputy Director of Income-tax or an Additional Director of Income-tax under sub-section (1) of section 117;;

(d) in clause (21), after the words "that sub-section to be", the words "an Additional Director of Income-tax or" shall be inserted with effect from the 1st day of June, 1994;

(e) in clause (42A), with effect from the 1st day of April, 1995,—

(i) in the proviso, after the words "share held in a company", the words, figures, brackets and letter "or any other security listed in a recognised stock exchange in India or a unit of the Unit Trust of India established under the Unit Trust of India Act, 1963 or a unit of a Mutual Fund specified under clause (23D) of section 10" shall be inserted;

(ii) the existing *Explanation* shall be renumbered as *Explanation 1* and in *Explanation 1* as so renumbered, in clause (i), after sub-clause (c), the following sub-clauses shall be inserted, namely:—

"(d) in the case of a capital asset, being a share or any other security (hereafter in this clause referred to as the financial asset) subscribed to by the assessee on the basis of his right to subscribe to such financial asset or subscribed to by the person in whose favour the assessee has renounced his right to subscribe to such financial asset, the period shall be reckoned from the date of allotment of such financial asset;

(e) in the case of a capital asset, being the right to subscribe to any financial asset, which is renounced in favour of any other person, the period shall be reckoned from the date of the offer of such right by the company or institution, as the case may be, making such offer;";

(iii) after *Explanation 1* as so renumbered, the following *Explanation* shall be inserted, namely:—

Explanation 2.—For the purposes of this clause, the expression "security" shall have the meaning assigned to it in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956;.

4. Insertion of new section 5A. After section 5 of the Income-tax Act, the following section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1963, namely:—

5A. Apportionment of income between spouses governed by Portuguese Civil Code. (1) Where the husband and wife are governed by the system of community of property (known under the Portuguese Civil Code of 1860 as "COMMUNIAO DOS BENS") in force in the State of Goa and in the Union territories of Dadra and Nagar Haveli and Daman and Diu, the income of the husband and of the wife under any head of income shall not be assessed as that of such community of property (whether treated as an association of persons or a body of individuals), but such income of the husband and of the wife under each head of income (other than under the head "Salaries") shall be apportioned equally between the husband and the wife and the income so apportioned shall be included separately in the total income of the husband and of the wife respectively, and the remaining provisions of this Act shall apply accordingly.

(2) Where the husband or, as the case may be, the wife governed by the aforesaid system of community of property has any income under the head "Salaries", such income shall be included in the total income of the spouse who has actually earned it.

5. Amendment of section 6. In section 6 of the Income-tax Act, in clause (1), in sub-clause (c), in the *Explanation*, in clause (b), for the words "one hundred and fifty days", the words "one hundred and eighty-two days" shall be substituted with effect from the 1st day of April, 1995.**6. Amendment of section 10.** In section 10 of the Income-tax Act,—

(1) in clause (10C), with effect from the 1st day of April, 1995,—

- (a) in sub-clause (iv), for the word "authority", the words "authority; or" shall be substituted;
(b) after sub-clause (iv), the following sub-clauses shall be inserted, namely:—

"(v) a co-operative society; or

(vi) a University established or incorporated by or under a Central, State or Provincial Act and an institution declared to be a University under section 3 of the University Grants Commission Act, 1956; or

(vii) an Indian Institute of Technology within the meaning of clause (g) of section 3 of the Institutes of Technology Act, 1961; or

(viii) such institute of management as the Central Government may, by notification in the Official Gazette, specify in this behalf;";

(c) in the first proviso,—

(i) after the word "authorities", the words, brackets and figures "or societies or Universities or the Institutes referred to in sub-clauses (vii) and (viii)" shall be inserted;

(ii) after the word, brackets and figures "sub-clause (ii)", the words, brackets and figure "or co-operative societies referred to in sub-clause (v)" shall be inserted;

(2) after clause (22A), the following clause shall be inserted, namely:—

"(22B) any income of such news agency set up in India solely for collection and distribution of news as the Central Government may, by notification in the Official Gazette, specify in this behalf:

Provided that the news agency applies its income or accumulates it for application solely for collection and distribution of news and does not distribute its income in any manner to its members:

Provided further that any notification issued by the Central Government under this clause shall, at any one time, have effect for such assessment year or years, not exceeding three assessment years (including an assessment year or years commencing before the date on which such notification is issued) as may be specified in the notification;";

(3) in clause (26), with effect from the 1st day of April, 1995,—

(i) in the opening portion, for the words "States of Nagaland, Manipur and Tripura or in the Union territories of Arunachal Pradesh and Mizoram", the words "States of Arunachal Pradesh, Manipur, Mizoram, Nagaland and Tripura" shall be substituted;

(ii) in sub-clause (a), for the words "States or Union territories aforesaid", the words "or States aforesaid" shall be substituted;

(4) in clause (26B), the following amendments shall be made and shall be deemed to have been made with effect from the 1st day of April, 1993, namely:—

(a) for the words "members of either the Scheduled Castes or the Scheduled Tribes or of both", the words "members of the Scheduled Castes or the Scheduled Tribes or backward classes or of any two or all of them" shall be substituted;

(b) for the *Explanation*, the following *Explanation* shall be substituted, namely:—

'*Explanation*.—For the purposes of this clause,—

(a) "Scheduled Castes" and "Scheduled Tribes" shall have the meanings respectively assigned to them in clauses (24) and (25) of article 366 of the Constitution;

(b) "backward classes" means such classes of citizens, other than the Scheduled Castes and the Scheduled Tribes, as may be notified—

(i) by the Central Government; or

(ii) by any State Government,

as the case may be, from time to time.'

7. Amendment of section 10B. In section 10B of the Income-tax Act,—

(a) in sub-section (2), after clause (i), the following clause shall be inserted, with effect from the 1st day of April, 1995, namely:—

"(ia) in relation to an undertaking which begins to manufacture or produce any article or thing on or after the 1st day of April, 1994, its exports of such articles and things are not less than seventy-five per cent. of the total sales thereof during the previous year;";

(b) in the *Explanation* occurring at the end, after clause (iii), the following clause shall be inserted, namely:—

(iv) "produce", in relation to any article or thing referred to in clause (i) of sub-section (2) includes production of computer programmes."

8. **Amendment of section 12A.** In section 12A of the Income-tax, in clause (b), for the words "twenty-five thousand", the words "fifty thousand" shall be substituted with effect from the 1st day of April, 1995.

9. **Amendment of section 13.** In section 13 of the Income-tax, in sub-section (3), in clause (b), for the words "twenty-five thousand", the words "fifty thousand" shall be substituted with effect from the 1st day of April, 1995.

10. **Amendment of section 17.** In section 17 of the Income-tax Act, in clause (2), in the proviso, for clause (ii), the following clause shall be substituted and shall be deemed to have been substituted, with effect from the 1st day of April, 1993, namely:—

"(ii) any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family—

(a) in any hospital maintained by the Government or any local authority or any other hospital approved by the Government for the purposes of medical treatment of its employees;

(b) in respect of the prescribed diseases or ailments, in any hospital approved by the Chief Commissioner having regard to the prescribed guidelines:

Provided that, in a case falling in sub-clause (b), the employee shall attach with his return of income a certificate from the hospital specifying the disease or ailment for which medical treatment was required and the receipt for the amount paid to the hospital."

11. **Amendment of section 24.** In section 24 of the Income-tax Act, in sub-section (2), in the proviso, for the words "five thousand rupees", the words "ten thousand rupees" shall be substituted with effect from the 1st day of April, 1995.

12. **Amendment of section 33AB.** In section 33AB of the Income-tax Act, with effect from the 1st day of April, 1995,—

(1) in sub-section (1),—

(i) for the portion beginning with the words "whichever is earlier, deposited with the National Bank" and ending with the words "the assessee shall, subject to the provisions of this section," the following shall be substituted, namely:—

"whichever is earlier,—

(a) deposited with the National Bank any amount or amounts in an account (hereafter in this section referred to as the special account) maintained by the assessee with that Bank in accordance with, and for the purposes specified in, a scheme (hereafter in this section referred to as the scheme) approved in this behalf by the Tea Board; or

(b) deposited any amount in an account (hereafter in this section referred to as the Tea Deposit Account) opened by the assessee in accordance with, and for the purposes specified in, a scheme framed by the Tea Board (hereafter in this section referred to as the deposit scheme) with the previous approval of the Central Government,

the assessee shall, subject to the provisions of this section,";

(ii) in the second proviso, after the words "in the special account", the words "or in the Tea Deposit Account" shall be inserted;

(2) in sub-section (3), for the words "the special account shall not be allowed to be withdrawn except for the purposes specified in the scheme", the words "the special account or the Tea Deposit Account shall not be allowed to be withdrawn except for the purposes specified in the scheme or, as the case may be, in the deposit scheme" shall be substituted;

(3) in sub-section (5), after the words "the special account", the words "or in the Tea Deposit Account" shall be inserted;

(4) in sub-section (6),—

(i) after the words "the special account", the words "or in the Tea Deposit Account" shall be inserted;

(ii) after the words "the scheme", the words "or the deposit scheme" shall be inserted;

(5) in sub-section (7),—

(i) after the words "special account", the words "or in the Tea Deposit Account" shall be inserted;

(ii) after the words "National Bank", the words "or which is withdrawn by the assessee from the Tea Deposit Account" shall be inserted;

(iii) after the words "the scheme", the words "or the deposit scheme" shall be inserted;

(6) in sub-section (8), after the words "the scheme", at both the places where they occur, the words "or the deposit scheme" shall be inserted.

13. Amendment of section 35. In section 35 of the Income-tax Act, in sub-section (2AA), with effect from the 1st day of April, 1995,—

(a) in the opening portion, after the words "a National Laboratory", the words "or a University or an Indian Institute of Technology" shall be inserted;

(b) in the first proviso, after the words "every National Laboratory", the words "or University or Indian Institute of Technology" shall be inserted;

(c) in the second proviso,—

(i) after the words "the National Laboratory", the words "or the University or the Indian Institute of Technology" shall be inserted;

(ii) after the words "such Laboratory", the words "or University or Institute, as the case may be" shall be inserted;

(d) for the *Explanation*, the following *Explanation* shall be substituted, namely:—

Explanation.—For the purposes of this section,—

(a) "National Laboratory" means a scientific laboratory functioning at the national level under the aegis of the Indian Council of Agricultural Research, the Indian Council of Medical Research, the Council of Scientific and Industrial Research, the Defence Research and Development Organisation, the Department of Electronics, the Department of Bio-Technology or the Department of Atomic Energy and which is approved as a National Laboratory by the prescribed authority in such manner as may be prescribed;

(b) "University" shall have the same meaning as in *Explanation* to clause (ix) of section 47;

(c) "Indian Institute of Technology" shall have the same meaning as that of "Institute" in clause (g) of section 3 of the Institutes of Technology Act, 1961.

14. Amendment of section 36. In section 36 of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 1995,—

(a) in clause (viiA), in sub-clause (a),—

(i) the words, brackets, figures and letter "a bank approved by the Central Government for the purposes of clause (viiiA) or" shall be omitted;

(ii) for the words "four per cent.", the words "ten per cent." shall be substituted;

(b) clause (viiiA) shall be omitted.

15. Amendment of section 37. In section 37 of the Income-tax Act, in sub-section (2), for the words, figures and letters "any previous year commencing on the 1st day of April, 1992", the words, figures and letters "any previous year commencing on or after the 1st day of April, 1992" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1993.

16. Insertion of new sections 44AD and 44AE. In the Income-tax Act, before section 44B, the following sections shall be inserted, namely:—

'44AD. Special provision for computing profits and gains of business of civil construction, etc. (1) Notwithstanding anything to the contrary contained in sections 28 to 43C, in the case of an assessee engaged in the business of civil construction or supply of labour for civil construction, a sum equal to eight per cent. of the gross receipts paid or payable to the assessee in the previous year on account of such business or, as the case may be, a sum higher than the aforesaid sum as declared by the assessee in his return of income, shall be deemed to be the profits and gains of such business chargeable to tax under the head "Profits and gains of business or profession":

Provided that nothing contained in this sub-section shall apply in case the aforesaid gross receipts paid or payable exceed an amount of forty lakh rupees.

(2) Any deduction allowable under the provisions of sections 30 to 38 shall, for the purposes of sub-section (1), be deemed to have been already given full effect to and no further deduction under those sections shall be allowed.

(3) The written down value of any asset used for the purpose of the business referred to in sub-section (1) shall be deemed to have been calculated as if the assessee had claimed and had been actually allowed the deduction in respect of the depreciation for each of the relevant assessment years.

(4) The provisions of section 44AA and 44AB shall not apply in so far as they relate to the business referred to in sub-section (1) and in computing the monetary limits under those sections, the gross receipts or, as the case may be, the income from the said business shall be excluded.

(5) Nothing contained in the foregoing provisions of this section shall apply, where the assessee claims and produces evidence to prove that the profits and gains from the aforesaid business are lower than the profits and gains specified in sub-section (1), and thereupon the Assessing Officer shall proceed to make an assessment of the total income or loss of the assessee and determine the sum payable by the assessee on the basis of assessment made under sub-section (3) of section 143.

Explanation.—For the purposes of this section, the expression “civil construction” includes—

(a) the construction or repair of any building, bridge, dam or other structure or of any canal or road;

(b) the execution of any works contract.

44AE. Special provision for computing profits and gains of business of plying, hiring or leasing goods carriages. (1) Notwithstanding anything to the contrary contained in sections 28 to 43C, in the case of an assessee, who owns not more than ten goods carriages and who is engaged in the business of plying, hiring or leasing such goods carriages, the income of such business chargeable to tax under the head “Profits and gains of business or profession” shall be deemed to be the aggregate of the profits and gains, from all the goods carriages owned by him in the previous year, computed in accordance with the provisions of sub-section (2).

(2) For the purposes of sub-section (1), the profits and gains from each goods carriage,—

(i) being a heavy goods vehicle, shall be an amount equal to two thousand rupees for every month or part of a month during which the heavy goods vehicle is owned by the assessee in the previous year or, as the case may be, an amount higher than the aforesaid amount as declared by him in his return of income;

(ii) other than a heavy goods vehicle, shall be an amount equal to one thousand eight hundred rupees for every month or part of a month during which the goods carriage is owned by the assessee in the previous year or, as the case may be, an amount higher than the aforesaid amount as declared by him in his return of income.

(3) Any deduction allowable under the provisions of sections 30 to 38 shall, for the purposes of sub-section (1), be deemed to have been already given full effect to and no further deduction under those sections shall be allowed.

(4) The written down value of any asset used for the purpose of the business referred to in sub-section (1), shall be deemed to have been calculated as if the assessee had claimed and had been actually allowed the deduction in respect of the depreciation for each of the relevant assessment years.

(5) The provisions of sections 44AA and 44AB shall not apply in so far as they relate to the business referred to in sub-section (1) and in computing the monetary limits under those sections, the gross receipts or, as the case may be, the income from the said business shall be excluded.

(6) Nothing contained in the foregoing provisions of this section shall apply, where the assessee claims and produces evidence to prove that the profits and gains from the aforesaid business are lower than the profits and gains specified in sub-sections (1) and (2), and thereupon the Assessing Officer shall proceed to make an assessment of the total income or loss of the assessee and determine the sum payable by the assessee on the basis of assessment made under sub-section (3) of section 143.

Explanation.—For the purposes of this section,—

(a) the expressions “goods carriage” and “heavy goods vehicle” shall have the meanings respectively assigned to them in section 2 of the Motor Vehicles Act, 1988;

(b) an assessee, who is in possession of a goods carriage, whether taken on hire purchase or on instalments and for which the whole or part of the amount payable is still due, shall be deemed to be the owner of such goods carriage.

17. Amendment of section 44D. In section 44D of the Income-tax Act, clauses (c) and (d), shall be omitted with effect from the 1st day of April, 1995.

18. **Amendment of section 55.** In section 55 of the Income-tax Act, in sub-section (2), for clause (a), the following clauses shall be substituted, with effect from the 1st day of April, 1995, namely:—

"(a) in relation to a capital asset, being goodwill of a business, tenancy rights, stage carriage permits or loom hours,—

(i) in the case of acquisition of such asset by the assessee by purchase from a previous owner, means the amount of the purchase price; and

(ii) in any other case [not being a case falling under sub-clauses (i) to (iv) of sub-section (1) of section 49], shall be taken to be *nil*;

(aa) in a case where, by virtue of holding a capital asset, being a share or any other security within the meaning of clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (hereafter in this clause referred to as the financial asset), the assessee becomes entitled to subscribe to any additional financial asset, then, subject to the provisions of sub-clauses (i) and (ii) of clause (b),—

(i) in relation to the original financial asset, on the basis of which the assessee becomes entitled to any additional financial asset, means the amount actually paid for acquiring the original financial asset; and

(ii) in relation to any right to renounce the said entitlement to subscribe to the financial asset, when such right is renounced by the assessee in favour of any person, shall be taken to be *nil* in the case of such assessee;

(iii) in relation to the financial asset, to which the assessee has subscribed on the basis of the said entitlement, means the amount actually paid by him for acquiring such asset;

(iv) in relation to any financial asset purchased by any person in whose favour the right to subscribe to such asset has been renounced, means the aggregate of the amount of the purchase price paid by him to the person renouncing such right and the amount paid by him to the company or institution, as the case may be, for acquiring such financial asset;".

19. **Amendment of section 57.** In section 57 of the Income-tax Act, the proviso shall be omitted with effect from the 1st day of April, 1995.

20. **Amendment of section 64.** In section 64 of the Income-tax Act, in sub-section (1A), in the opening portion, after the words "arises or accrues to his minor child", the words, figures and letter "not being a minor child suffering from any disability of the nature specified in section 80U" shall be inserted with effect from the 1st day of April, 1995.

21. **Amendment of section 71.** In section 71 of the Income-tax Act, for sub-section (4), the following sub-section shall be substituted with effect from the 1st day of April, 1995, namely:—

'(4) Where the net result of the computation under the head "Income from house property" is a loss, in respect of the assessment years commencing on the 1st day of April, 1995 and the 1st day of April, 1996, such loss shall be first set off under sub-sections (1) and (2) and thereafter the loss referred to in section 71A shall be set off in the relevant assessment year in accordance with the provisions of that section.'

22. **Substitution of new section for section 71A.** For section 71A of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1995, namely:—

'71A. Transitional provisions for set off of loss under the head "Income from house property".'

Where in respect of the assessment year commencing on the 1st day of April, 1993 or the 1st day of April, 1994, the net result of the computation under the head "Income from house property" is a loss, such loss in so far as it relates to interest on borrowed capital referred to in clause (vi) of sub-section (1) of section 24 and to the extent it has not been set off shall be carried forward and set off in the assessment year commencing on the 1st day of April, 1995, and the balance, if any, in the assessment year commencing on the 1st day of April, 1996, against the income under any head.'

23. **Insertion of new section 80E.** After section 80DD of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1995, namely:—

'80E. Deduction in respect of repayment of loan taken for higher education. (1) In computing the total income of an assessee, being an individual, there shall be deducted, in accordance with and subject to the provisions of this section, any amount paid by him in the previous year, out of his income chargeable to tax, by way of repayment of loan, taken by him from any financial institution or any approved charitable institution for the purpose of pursuing his higher education, or interest on such loan:

Provided that the amount which may be so deducted shall not exceed twenty-five thousand rupees.

(2) The deduction specified in sub-section (1) shall be allowed in computing the total income in respect of the initial assessment year and seven assessment years immediately succeeding the initial assessment year or until the loan referred to in sub-section (1) together with interest thereon is paid by the assessee in full, whichever is earlier.

(3) For the purposes of this section,—

(a) "approved charitable institution" means an institution specified in, or, as the case may be, an institution established for charitable purposes and notified by the Central Government under clause (23C) of section 10 or an institution referred to in clause (a) of sub-section (2) of section 80G;

(b) "financial institution" means a banking company to which the Banking Regulation Act, 1949 applies (including any bank or banking institution referred to in section 51 of that Act); or any other financial institution which the Central Government may, by notification in the Official Gazette, specify in this behalf;

(c) "higher education" means full-time studies for any graduate or post-graduate course in engineering, medicine, management or for post-graduate course in applied sciences or pure sciences including mathematics and statistics;

(d) "initial assessment year" means the assessment year relevant to the previous year, in which the assessee starts repaying the loan or interest thereon.

24. Amendment of section 80G. In section 80G of the Income-tax Act,—

(a) in sub-section (1), in clause (i), after the words, brackets, figures and letter "or in sub-clause (iii)", the words, brackets, figures and letter "or in sub-clause (iii)" shall be inserted;

(b) in sub-section (2), in clause (a), after sub-clause (iii), the following sub-clause shall be inserted, namely:—

"(iii) the Maharashtra Chief Minister's Relief Fund during the period beginning on the 1st day of October, 1993 and ending on the 6th day of October, 1993 or to the Chief Minister's Earthquake Relief Fund, Maharashtra; or";

(c) sub-section (3) shall be omitted;

(d) in sub-section (5),—

(i) the word "and", occurring at the end of clause (iv), shall be omitted;

(ii) in clause (v), the word "and" shall be inserted at the end.

25. Amendment of section 80HHD. In section 80HHD of the Income-tax Act, with effect from the 1st day of April, 1995,—

(a) in sub-section (2), in the *Explanation*, for the words "from a tour operator or, as the case may be, a travel agent", the words "from another hotelier, tour operator or travel agent, as the case may be," shall be substituted;

(b) in sub-section (3), after the word, brackets and figure "sub-section (2)", the brackets, words, figure and letter "[as reduced by any payment, referred to in sub-section (2A), made by the assessee]" shall be inserted;

(c) in sub-section (6),—

(i) the words "aggregate of the" shall be omitted;

(ii) after the words "foreign tourists", the words, brackets, figure and letter ", payments made by him to any assessee referred to in sub-section (2A)" shall be inserted.

26. Amendment of section 80HHE. In section 80HHE of the Income-tax Act, in sub-section (1), in the proviso, for the figures "1995", the figures "1996" shall be substituted.

27. Amendment of section 80-IA. In section 80-IA of the Income-tax Act,—

(a) in sub-section (2),—

(i) in clause (iii), in the proviso, after the words "a small scale industrial undertaking", the words, brackets, letters and figures "or an industrial undertaking referred to in sub-clause (b) of clause (iv) which begins to manufacture or produce an article or thing during the period beginning on the 1st day of April, 1993 and ending on the 31st day of March, 1998" shall be inserted;

(ii) in clause (iv), with effect from the 1st day of April, 1995,—

(1) in sub-clause (a), after the word, brackets and letter "sub-clause (b)", the words, brackets and letter "or sub-clause (a)" shall be inserted;

(2) after sub-clause (b), the following sub-clause shall be inserted, namely:—

“(c) in the case of an industrial undertaking located in such industrially backward district as the Central Government may, having regard to the prescribed guidelines, by notification in the Official Gazette, specify in this behalf, it begins to manufacture or produce articles or things or to operate its cold storage plant or plants at any time during the period beginning on the 1st day of October, 1994 and ending on the 31st day of March, 1999;”;

(b) in sub-section (5), in clause (i), in sub-clause (b), after the word, brackets and letter “sub-clause (b)”, the words, brackets and letter “or sub-clause (c)” shall be inserted with effect from the 1st day of April, 1995.

28. Omission of section 80V. Section 80V of the Income-tax Act shall be omitted with effect from the 1st day of April, 1995.

29. Amendment of section 88. In section 88 of the Income-tax Act, the following amendments [except amendment by sub-clause (iii) of clause (1)] shall be made and shall be deemed to have been made with effect from the 1st day of April, 1991, namely:—

(1) in sub-section (2),—

(i) in clause (xii), for the words “by any person”, the words “in the name of any person” shall be substituted;

(ii) in clause (xiii), for the words “by an individual”, the words, brackets and figure “in the name of any person specified in sub-section (4)” shall be substituted;

(iii) in clause (xiii), after the word and figures “section 10”, the words and figures “or by the Unit Trust of India established under the Unit Trust of India Act, 1963” shall be inserted with effect from the 1st day of April, 1995;

(2) in sub-section (4),—

(i) for clause (a), the following clause shall be substituted, namely:—

“(a) for the purposes of clauses (i), (v), (xii) and (xiii) of that sub-section,—

(i) in the case of an individual, the individual, the wife or husband and any child of such individual, and

(ii) in the case of a Hindu undivided family, any member thereof;”;

(ii) in clause (b), sub-clause (ii) shall be omitted;

(iii) in clause (c),—

(a) for the words, brackets and figures “clauses (v) and (viii)”, the word, brackets and figures “clause (viii)” shall be substituted;

(b) sub-clause (iii) shall be omitted;

(iv) clause (d) shall be omitted.

30. Amendment of section 88B. In section 88B of the Income-tax Act, with effect from the 1st day of April, 1995,—

(a) for the words “seventy-five thousand rupees”, the words “one hundred thousand rupees” shall be substituted;

(b) for the words “twenty per cent.”, the words “forty per cent.” shall be substituted.

31. Amendment of section 112. In section 112 of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 1995,—

(i) in clause (a), after the words “Hindu undivided family”, the words “being a resident”, shall be inserted;

(ii) in clause (b),—

(a) for the word “company”, the words “domestic company” shall be substituted;

(b) for the words “forty per cent.”, wherever they occur, the words “thirty per cent.” shall be substituted;

(iii) after clause (b), the following clause shall be inserted, namely:—

“(c) in the case of a non-resident (not being a company) or a foreign company,—

(i) the amount of income-tax payable on the total income as reduced by the amount of such long-term capital gains, had the total income as so reduced been its total income; and

(ii) the amount of income-tax calculated on such long-term capital gains at the rate of twenty per cent.”;

(iv) the existing clause (c) shall be relettered as clause (d), and in clause (d) as so relettered, after the words “in any other case”, the words “of a resident” shall be inserted.

32. Amendment of section 115A. In section 115A of the Income-tax Act, with effect from the 1st day of April, 1995,—

(i) for sub-section (1), the following sub-section shall be substituted, namely:—

‘(1) Where the total income of—

(a) a non-resident (not being a company) or of a foreign company, includes any income by way of—

(i) dividends; or

(ii) interest received from Government or an Indian concern on monies borrowed or debt incurred by Government or the Indian concern in foreign currency; or

(iii) income received in respect of units, purchased in foreign currency, of a Mutual Fund specified under clause (23D) of section 10 or of the Unit Trust of India,

the income-tax payable shall be aggregate of —

(A) the amount of income-tax calculated on the amount of income by way of dividends, if any, included in the total income, at the rate of twenty per cent.;

(B) the amount of income-tax calculated on the amount of income by way of interest referred to in clause (ii), if any, included in the total income, at the rate of twenty per cent.;

(C) the amount of income-tax calculated on the income in respect of units referred to in clause (iii), if any, included in the total income, at the rate of twenty per cent.; and

(D) the amount of income-tax with which he or it would have been chargeable had his or its total income been reduced by the amount of income referred to in clause (i), clause (ii) and clause (iii);

(b) a foreign company, includes any income by way of royalty or fees for technical services received from Government or an Indian concern in pursuance of an agreement made by the foreign company with Government or the Indian concern after the 31st day of March, 1976, and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy, then, subject to the provisions of sub-sections (1A) and (2), the income-tax payable shall be the aggregate of,—

(A) the amount of income-tax calculated on the income by way of royalty, if any, included in the total income, at the rate of thirty per cent.;

(B) the amount of income-tax calculated on the income by way of fees for technical services, if any, included in the total income, at the rate of thirty per cent.; and

(C) the amount of income-tax with which it would have been chargeable had its total income been reduced by the amount of income by way of royalty and fees for technical services.

Explanation.—For the purposes of this section,—

(a) “fees for technical services” shall have the same meaning as in *Explanation 2* to clause (vii) of sub-section (1) of section 9;

(b) “foreign currency” shall have the same meaning as in the *Explanation* below item (g) of sub-clause (iv) of clause (15) of section 10;

(c) “royalty” shall have the same meaning as in *Explanation 2* to clause (vi) of sub-section (1) of section 9;

(d) “Unit Trust of India” means the Unit Trust of India established under the Unit Trust of India Act, 1963.’

(ii) in sub-section (1A), for the words “approved by the Central Government or where the agreement relates to a matter”, the words “the agreement is approved by the Central Government or where it relates to a matter” shall be substituted;

(iii) after sub-section (2), the following sub-sections shall be inserted, namely:—

“(3) No deduction in respect of any expenditure or allowance shall be allowed to the assessee under sections 28 to 44C and section 57 in computing his or its income referred to in sub-section (1).”

(4) Where in the case of an assessee referred to in sub-section (1),—

(a) the gross total income consists only of the income referred to in clause (a) of that sub-section, no deduction shall be allowed to him or it under Chapter VI-A;

(b) the gross total income includes any income referred to in clause (a) of that sub-section, the gross total income shall be reduced by the amount of such income and the deduction under Chapter VI-A shall be allowed as if the gross total income as so reduced were the gross total income of the assessee.

(5) It shall not be necessary for an assessee referred to in sub-section (1) to furnish under sub-section (1) of section 139 a return of his or its income if—

(a) his or its total income in respect of which he or it is assessable under this Act during the previous year consisted only of income referred to in clause (a) of sub-section (1); and

(b) the tax deductible at source under the provisions of Chapter XVII-B has been deducted from such income.”

33. Amendment of section 115K. In section 115K of the Income-tax Act, with effect from the 1st day of April, 1995,—

(i) in sub-section (1), for the portion beginning with the words “to whom this section applies, carrying on—”, and ending with the words “from such business or vocation”, the following shall be substituted, namely:—

“to whom this section applies and who is—

(a) carrying on the business of retail trade in any goods or merchandise; or

(b) carrying on the business of running an eating place or of operating, hiring or leasing a motor cab, a maxicab or a three-wheeled motor vehicle or any other business as may be prescribed; or

(c) engaged in any vocation, and

and submits a statement in accordance with the provisions of sub-section (4), a sum of forty-two thousand rupees shall be deemed to be the profits and gains of such person from such business or vocation”;

(ii) in sub-section (2),—

(a) in clause (b),—

(1) in sub-clause (i), for the words “thirty-seven thousand rupees”, the words “forty-two thousand rupees” shall be substituted;

(2) for sub-clause (ii), the following sub-clause shall be substituted, namely:—

“(ii) clause (b) or clause (c) of sub-section (1), his income from the said business or vocation, during the relevant previous year does not exceed forty-two thousand rupees; and”;

(b) in clause (c), for the words “of retail trade or from the business of running the eating place or from the business of operating, hiring or leasing a goods carriage, a motor cab, a maxicab or a three-wheeled motor vehicle or from the vocation”, the words, brackets, letters and figure “or vocation referred to in clause (a), clause (b) or, as the case may be, clause (c) of sub-section (1)” shall be substituted.

(iii) in sub-section (4),—

(a) in clause (a),—

(1) in sub-clause (i), for the words “thirty-seven thousand”, the words “forty-two thousand” shall be substituted;

(2) for sub-clause (ii), the following sub-clause shall be substituted, namely:—

“(ii) where he is carrying on the business or vocation referred to in clause (b) or, as the case may be, clause (c) of that sub-section, his income during the relevant previous year from such business or vocation does not exceed forty-two thousand rupees;”;

- (b) in clause (b), the proviso shall be omitted;
- (iv) sub-section (6) shall be omitted;
- (v) in the *Explanation*, in clause (a), the words "goods carriage", shall be omitted.

34. Amendment of section 115N. In section 115N of the Income-tax Act, the words "in respect of his income from the business of retail trade or from the business of running an eating place or from the business of operating, hiring or leasing a goods carriage, a motor cab, a maxicab or a three-wheeled motor vehicle or from any vocation" shall be omitted with effect from the 1st day of April, 1995.

35. Amendment of section 116. In section 116 of the Income-tax Act, after clause (c), the following clause shall be inserted with effect from the 1st day of June, 1994, namely:—

"(cc) Additional Directors of Income-tax or Additional Commissioners of Income-tax or Additional Commissioners of Income-tax (Appeals),".

36. Amendment of section 139. In section 139 of the Income-tax Act, in sub-section (1), in the *Explanation*, in clause (a), for the figures, letters and words "31st day of December", the figures, letters and words "30th day of November" shall be substituted.

37. Amendment of section 143. In section 143 of the Income-tax Act, in the *Explanation*, for the word and figures "section 264", the words and figures "sections 246 and 264" shall be substituted with effect from the 1st day of June, 1994.

38. Amendment of section 154. In section 154 of the Income-tax Act, in sub-section (2), the proviso shall be omitted with effect from the 1st day of June, 1994.

39. Amendment of section 194C. In section 194C of the Income-tax Act, the *Explanation* occurring below sub-section (2) shall be renumbered as *Explanation II*, and before *Explanation II* as so renumbered, the following *Explanation* shall be inserted, with effect from the 1st day of June, 1994, namely:—

'*Explanation I.*—For the purposes of sub-section (2), the expression "contractor" shall also include a contractor who is carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract between the contractor and the Government of a foreign State or a foreign enterprise or any association or body established outside India.'

40. Insertion of new section 194-I. After section 194H of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 1994, namely:—

'194-I. **Rent.** Any person, not being an individual or a Hindu undivided family, who is responsible for paying to any person any income by way of rent, shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rate of twenty per cent.:

Provided that no deduction shall be made under this section where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year by the aforesaid person to the account of, or to, the payee, does not exceed one hundred and twenty thousand rupees.

Explanation.—For the purposes of this section,—

(i) "rent" means any payment, by whatever name called, under any lease, sub-lease, tenancy or any other agreement or arrangement for the use of any land or any building (including factory building), together with furniture, fittings and the land appurtenant thereto, whether or not such building is owned by the payee;

(ii) where any income is credited to any account, whether called "Suspense account" or by any other name, in the books of account of the person liable to pay such income, such crediting shall be deemed to be credit of such income to the account of the payee and the provisions of this section shall apply accordingly.'

41. Amendment of section 196A. In section 196A of the Income-tax Act, in sub-section (2), for the words "twenty-five per cent.", the words "twenty per cent." shall be substituted with effect from the 1st day of June, 1994.

42. Amendment of section 197. In section 197 of the Income-tax Act, in sub-section (1), after the figures and letter "194D", the figures and letter ",194-I" shall be inserted with effect from the 1st day of June, 1994.

43. Amendment of sections 198 to 200 and 202 to 205. In sections 198, 199, 200, 202, 203, 203A, 204 and 205 of the Income-tax Act, after the word, figures and letter "section 194H," the word, figures and letter "section 194-I," shall be inserted with effect from the 1st day of June, 1994.

44. Amendment of section 211. In section 211 of the Income-tax Act, for sub-section (1), the following sub-section shall be substituted, with effect from the 1st day of April, 1994, namely:—

"(1) Advance tax on the current income calculated in the manner laid down in section 209 shall be payable by—

(a) all the companies, who are liable to pay the same, in four instalments during each financial year and the due date of each instalment and the amount of such instalment shall be as specified in Table I below:

TABLE I

Due date of instalment	Amount payable
On or before the 15th June	Not less than fifteen per cent. of such advance tax.
On or before the 15th September	Not less than forty-five per cent. of such advance tax, as reduced by the amount, if any, paid in the earlier instalment.
On or before the 15th December	Not less than seventy-five per cent. of such advance tax, as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.
On or before the 15th March	The whole amount of such advance tax as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.

(b) all the assesseees (other than companies), who are liable to pay the same, in three instalments during each financial year and the due date of each instalment and the amount of such instalment shall be as specified in Table II below:

TABLE II

Due date of instalment	Amount payable
On or before the 15th September	Not less than thirty per cent. of such advance tax.
On or before the 15th December	Not less than sixty per cent. of such advance tax, as reduced by the amount, if any, paid in the earlier instalment.
On or before the 15th March	The whole amount of such advance tax as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments:

Provided that any amount paid by way of advance tax on or before the 31st day of March shall also be treated as advance tax paid during the financial year ending on that day for all the purposes of this Act."

45. Amendment of section 234C. In section 234C of the Income-tax Act, in sub-section (1), for the portion beginning with the words "Where in any financial year" and ending with the words "as the case may be, sixty per cent. of the tax due on the returned income:", the following shall be substituted, with effect from the 1st day of April, 1995, namely:—

"Where in any financial year,—

(a) the company which is liable to pay advance tax under section 208 has failed to pay such tax or—

(i) the advance tax paid by the company on its current income on or before the 15th day of June is less than fifteen per cent. of the tax due on the returned income or the amount of such advance tax paid on or before the 15th day of September is less than forty-five per cent. of the tax due on the returned income or the amount of such advance tax paid on or before the 15th day of December is less than seventy-five per cent. of the tax due on the returned income, then, the company shall be liable to pay simple interest at the rate of one and one-half per

cent. per month for a period of three months on the amount of the shortfall from fifteen per cent. or forty-five per cent. or seventy-five per cent., as the case may be, of the tax due on the returned income;

(ii) the advance tax paid by the company on its current income on or before the 15th day of March is less than the tax due on the returned income, then, the company shall be liable to pay simple interest at the rate of one and one-half per cent. on the amount of the shortfall from the tax due on the returned income:

Provided that if the advance tax paid by the company on its current income on or before the 15th day of June or the 15th day of September, is not less than twelve per cent. or, as the case may be, thirty-six per cent. of the tax due on the returned income, then, it shall not be liable to pay any interest on the amount of the shortfall on those dates;

(b) the assessee, other than a company, who is liable to pay advance tax under section 208 has failed to pay such tax or,—

(i) the advance tax paid by the assessee on his current income on or before the 15th day of September is less than thirty per cent. of the tax due on the returned income or the amount of such advance tax paid on or before the 15th day of December is less than sixty per cent. of the tax due on the returned income, then, the assessee shall be liable to pay simple interest at the rate of one and one-half per cent. per month for a period of three months on the amount of the shortfall from thirty per cent. or, as the case may be, sixty per cent. of the tax due on the returned income;

(ii) the advance tax paid by the assessee on his current income on or before the 15th day of March is less than the tax due on the returned income, then, the assessee shall be liable to pay simple interest at the rate of one and one-half per cent. on the amount of the shortfall from the tax due on the returned income.”

46. Amendment of section 246. In section 246 of the Income-tax Act, with effect from the 1st day of June, 1994,—

(a) in sub-section (1), in clause (a), after the words “under this Act”, the words, brackets, figures and letter “,or an intimation under sub-section (1) or sub-section (1B) of section 143, where the assessee objects to the making of adjustments,” shall be inserted;

(b) in sub-section (2), in clause (a), for the words, brackets and figure “an order specified in sub-section (1) where such order”, the words, brackets and figure “an intimation or order specified in sub-section (1) where such intimation is sent or such order” shall be substituted.

47. Amendment of section 269. In section 269 of the Income-tax Act, with effect from the 1st day of April, 1995,—

(a) clause (iii) shall be omitted;

(b) in clause (vi) the word “Goa,” shall be omitted.

48. Amendment of section 273A. In section 273A of the Income-tax Act, after sub-section (6), the following sub-section shall be inserted, with effect from the 1st day of June, 1994, namely:—

“(7)Notwithstanding anything contained in sub-section (6), the provisions of sub-section (1), sub-section (2) or, as the case may be, sub-section (4) [as they stood immediately before their amendment by the Direct Tax Laws (Amendment) Act, 1989], shall apply in the case of reduction or waiver of penalty or interest in relation to any assessment for the assessment year commencing on the 1st day of April, 1988 or any earlier assessment year, with the modifications that the power under the said sub-section (1) shall be exercisable only by the Commissioner and instead of the previous approval of the Board, the Commissioner shall obtain the previous approval of the Chief Commissioner or Director General, as the case may be, while dealing with such case.”

49. Amendment of section 296. In section 296 of the Income-tax Act, after the words “every rule made under this Act”, the words, brackets, figures and letters “,the rules of procedure framed by the Settlement Commission under sub-section (7) of section 245F, the Authority for Advance Rulings under section 245V and the Appellate Tribunal under sub-section (5) of section 255” shall be inserted with effect from the 1st day of June, 1994.

50. Consequential amendments. The following amendments (being consequential in nature) shall be made in the Income-tax Act,—

(a) in section 44AB, in the *Explanation*, in clause (ii), in sub-clause (a), for the figures, letters and words “31st day of December”, the figures, letters and words “30th day of November” shall be substituted;

(b) in section 80CC, in sub-section (1),—

- (i) in clause (b), the word "or", occurring at the end, shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1978;
- (ii) clause (c) shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1978;
- (c) in section 80CCA, in sub-section (1),—
 - (i) in clause (b), the word "or" occurring at the end, shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1988;
 - (ii) clause (c) shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1988;
- (d) in section 80CCB, in sub-section (1),—
 - (i) in clause (b), the word "or", occurring at the end, shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1991;
 - (ii) clause (c) shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1991;
- (e) in section 80D, in sub-section (2), clause (c) shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1987;
- (f) in section 80L, in sub-section (1),—
 - (i) in clause (b), the word "or", occurring at the end, shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1968;
 - (ii) clause (c) shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1968;
- (g) in section 88, in sub-section (1),—
 - (i) in clause (b), the word "or", occurring at the end, shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1991;
 - (ii) clause (c) shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1991;
- (h) in section 88A, in sub-section (1),—
 - (i) in clause (b), the word "or", occurring at the end, shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1991;
 - (ii) clause (c) shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1991.

WEALTH-TAX

51. Amendment of section 2. In section 2 of the Wealth-tax Act, 1957 (hereinafter referred to as the Wealth tax Act),—

- (i) in clause (ea), in the *Explanation*, in clause (b), for the words "period of three years", the words "period of five years" shall be substituted with effect from the 1st day of April, 1995;
- (ii) in clause (s), after the word "Director", the words and brackets "Additional Director of Income-tax", "Additional Commissioner of Income-tax", "Additional Commissioner of Income (Appeals)", "Deputy Director", shall be inserted with effect from the 1st day of June, 1994.

52. Amendment of section 4. In section 4 of the Wealth-tax Act, in sub-section (1), in clause (a), in sub-clause (ii), after the words "not being", the words, figures and letter "a minor child suffering from any disability of the nature specified in section 80U of the Income-tax Act or" shall be inserted with effect from the 1st day of April, 1995.

53. Amendment of section 46. In section 46 of the Wealth-tax Act, in sub-section (4), after the words "every rule made under this Act", the words, brackets, figures and letter "and the rules of procedure framed by the Settlement Commission under sub-section (7) of section 22F" shall be inserted with effect from the 1st day of June, 1994.

GIFT-TAX

54. Amendment of section 2. In section 2 of the Gift-tax Act, 1958 (hereinafter referred to as the Gift-tax Act), in clause (xxv), after the word "Director", the words and brackets "Additional Director of Income-tax", "Additional Commissioner of Income-tax", "Additional Commissioner of Income-tax (Appeals)", "Deputy Director", shall be inserted with effect from the 1st day of June, 1994.

55. Amendment of section 5. In section 5 of the Gift-tax Act, in sub-section (1), in clause (vii), for the words "thirty thousand", the words "one hundred thousand" shall be substituted with effect from the 1st day of April, 1995.

INTEREST-TAX

56. Amendment of section 3 of Act 45 of 1974. In section 3 of the Interest-tax Act, 1974, in sub-section (3), with effect from the 1st day of June, 1994,—

- (i) after the words "Income-tax Officer", the words "or Assistant Commissioner" shall be inserted;
- (ii) for the words "Director of Inspection", the word "Director" shall be substituted;
- (iii) for the words "Inspecting Assistant Commissioner", the words "Additional Commissioner of Income-tax or the Deputy Commissioner" shall be substituted.

EXPENDITURE - TAX

57. Amendment of section 4. In the Expenditure-tax Act, 1987 (hereinafter referred to as the Expenditure-tax Act), in section 4, in clause (a), for the words "twenty per cent.", the words "ten per cent.", shall be substituted with effect from the 1st day of June, 1994.

58. Amendment of section 6. In the Expenditure-tax Act, in section 6, with effect from the 1st day of June, 1994,—

(i) in sub-section (1), for the words "Deputy Director", the words "Additional Director of Income-tax, Additional Commissioner of Income-tax, Deputy Director" shall be substituted;

(ii) in sub-section (3), for the words "Deputy Commissioner", the words "Additional Commissioner of Income-tax or Deputy Commissioner" shall be substituted.

59. Amendment of section 17. In section 17 of the Expenditure-tax Act, in the proviso, for the words "Deputy Commissioner", the words "Additional Commissioner or, as the case may be, of the Deputy Commissioner" shall be substituted with effect from the 1st day of June, 1994.

CHAPTER IV : [Sections 60 to 63 RELATE TO INDIRECT TAXES (VIZ. CUSTOMS & EXCISE)]

CHAPTER V : SERVICE-TAX

64. Extent, commencement and application. (1) This Chapter extends to the whole of India except the State of Jammu and Kashmir.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

(3) It shall apply to taxable services provided on or after the commencement of this Chapter.

65. Definitions. In this Chapter, unless the context otherwise requires,—

(1) "Appellate Tribunal" means the Customs, Excise and Gold (Control) Appellate Tribunal constituted under section 129 of the Customs Act, 1962;

(2) "assessee" means a person responsible for collecting the service tax payable under the provisions of this Chapter and includes his agent;

(3) "Board" means the Central Board of Excise and Customs constituted under the Central Boards of Revenue Act, 1963;

(4) "Central Excise Officer" has the meaning assigned to it in clause (b) of section 2 of the Central Excises and Salt Act, 1944;

(5) "general insurance business" has the meaning assigned to it in clause (g) of section 3 of the General Insurance Business (Nationalisation) Act, 1972;

(6) "insurer" means any person carrying on the general insurance business in India;

(7) "person responsible for collecting the service tax" means a person who is required to collect service tax under this Chapter or is required to pay any other sum of money under this Chapter and includes every person in respect of whom any proceedings under this Chapter have been taken;

(8) "policy-holder" has the meaning assigned to it in clause (2) of section 2 of the Insurance Act, 1938;

(9) "prescribed" means prescribed by rules made under this Chapter;

(10) "recognised stock exchange" has the meaning assigned to it in clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956;

(11) "securities" has the meaning assigned to it in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956;

(12) "service tax" means tax chargeable under the provisions of this Chapter;

(13) "stock broker" means a stock-broker who has either made an application for registration or is registered as a stock-broker in accordance with the rules and regulations made under the Securities and Exchange Board of India Act, 1992;

(14) "sub-broker" means a sub-broker who has either made an application for registration or is registered as a sub-broker in accordance with the rules and regulations made under the Securities and Exchange Board of India Act, 1992;

(15) "subscriber" means a person to whom a telephone connection has been provided by the telegraph authority;

(16) "taxable service" means any service provided—

(a) to an investor, by a stock-broker in connection with the sale or purchase of securities listed in a recognised stock exchange;

(b) to a subscriber, by the telegraph authority, in relation to a telephone connection;

(c) to a policy-holder, by an insurer carrying on general insurance business, in relation to general insurance business;

(17) "telegraph authority" has the meaning assigned to it in clause (6) of section 3 of the Indian Telegraph Act, 1885; and includes a person who has been granted a license under the first proviso to sub-section (1) of section 4 of that Act;

(18) words and expressions, used but not defined in this Chapter and defined in the Central Excises and Salt Act, 1944 or the rules made thereunder, shall apply, so far as may be, in relation to service tax as they apply in relation to duty of excise.

66. Charge of service tax. On and from the commencement of this Chapter, there shall be charged a tax (hereinafter referred to as service tax) at the rate of five per cent. of the value of the taxable services provided to any person by the person responsible for collecting the service tax.

67. Valuation of taxable services for charging service tax. For the purposes of this Chapter, the value of taxable services,—

(a) in relation to service provided by a stock-broker, shall be the aggregate of the commission or brokerage charged by him on the sale or purchase of securities from the investors and includes the commission or brokerage paid by the stock-broker to any sub-broker;

(b) in relation to telephone connections provided to the subscribers, shall be the gross total amount (including adjustments made by the telegraph authority from any deposits made by the subscribers at the time of applications for telephone connections) received by the telegraph authority from the subscribers.

Explanation.— For the removal of doubts, it is hereby declared that the value of taxable service in this clause shall not include the initial deposits made by the subscribers at the time of applications for telephone connections;

(c) in relation to services of general insurance business provided to the policy-holders, shall be the total amount of the premium received by the insurer from the policy-holders.

68. Collection and recovery of service tax. (1) Every stock-broker, the telegraph authority or the insurer who is providing taxable services to any person shall collect the service tax at the rate specified in section 66.

(2) The service tax collected during any calendar month in accordance with the provisions of sub-section (1) shall be paid to the credit of the Central Government by the 15th of the month immediately following the said calendar month.

(3) Any person, responsible for collecting the service tax, who fails to collect the tax in accordance with the provisions of sub-section (1) shall, notwithstanding such failure, be liable to pay the tax to the credit of the Central Government in accordance with the provisions of sub-section (2).

69. Registration. (1) Every person responsible for collecting the service tax under this Chapter shall, within such time and manner and in such form, as may be prescribed, make an application for registration under this Chapter to the Central Excise Officer.

(2) If a person responsible for collecting the service tax provides taxable services from more than one premises or offices, he shall make separate applications for registration in respect of each such premises or office.

(3) The provisions of sub-section (1) or sub-section (2) shall not apply in such cases as the Central Government may, by notification in the Official Gazette, specify and such notification may contain conditions which will regulate exemption from requirement for registration.

(4) If the Central Excise Officer, to whom an application under sub-section (1) or sub-section (2) is made, is satisfied that the application is in conformity with the provisions of this Chapter and the rules made thereunder, he shall register the applicant within thirty days of the receipt of such application and grant to him a certificate of registration in the prescribed form.

(5) Every person who ceases to provide taxable service shall surrender his certificate of registration immediately to the Central Excise Officer.

(6) The certificate of registration granted under sub-section (4) may, on the application of the person to whom it has been granted, be amended by the Central Excise Officer granting it if he is satisfied that by reason of change in the name or place of the applicant or for any other reason, the certificate of registration should be so amended.

70. Person responsible for collecting service tax to furnish prescribed return. (1) Every person responsible for collecting the service tax shall furnish or cause to be furnished to the Central Excise Officer in the prescribed form and verified in the prescribed manner, a quarterly return, within fifteen days of the end of the preceding quarter, showing—

- (a) the aggregate of payments received in respect of the value of taxable services;
- (b) the amount of service tax collected;
- (c) the amount of service tax paid to the credit of the Central Government; and
- (d) such other particulars as may be prescribed.

(2) In the case of any person who, in the opinion of the Central Excise Officer, is responsible for collecting service tax under this Chapter but who has not furnished a return under sub-section (1), the Central Excise Officer may, before the expiry of the quarter in which the return is to be furnished, issue a notice to such person and serve it upon him, requiring him to furnish within thirty days from the date of service of the notice the return in the prescribed form and verified in the prescribed manner setting forth the prescribed particulars.

(3) Any person responsible for collecting the service tax who has not furnished the return within the time allowed under sub-section (1) or sub-section (2) or having furnished a return under sub-section (1) or sub-section (2) discovers any omission or wrong statement therein, may furnish a return or a revised return, as the case may be, at any time before the assessment is made.

71. Assessment. (1) For the purposes of making an assessment under this Chapter, the Central Excise Officer may serve on any person, who has furnished a return under section 70 or upon whom a notice has been served under sub-section (2) of section 70 (whether a return has been furnished or not), a notice requiring him on a date therein to be specified, to produce or cause to be produced such accounts or documents or other evidence as the Central Excise Officer may require for the purposes of this Chapter and may, from time to time, serve further notices requiring the production of such further accounts or documents or other evidence as he may require.

(2) The Central Excise Officer, after considering such accounts, documents or other evidence, if any, as he has obtained under sub-section (1) and after taking into account any relevant material which he has gathered, shall, by an order in writing, assess the value of taxable service and the amount of service tax payable on the basis of such assessment.

72. Best judgment assessment. If—

- (a) any person fails to make the return required by any notice given under sub-section (2) of section 70 and has not made a return or a revised return under sub-section (3) of that section, or
- (b) any person having made a return fails to comply with all the terms of a notice issued under sub-section (1) of section 71, or
- (c) the Central Excise Officer is not satisfied with the correctness or the completeness of the accounts of the assessee,

the Central Excise Officer, after taking into account all the relevant material which he has gathered, shall, by an order in writing, make the assessment of the value of taxable service to the best of his judgment and determine the sum payable by the assessee or refundable to the assessee on the basis of such assessment.

73. Value of taxable services escaping assessment. If—

(a) the Central Excise Officer has reason to believe that by reason of omission or failure on the part of the assessee to make a return under section 70 for any quarter or to disclose wholly and truly all material facts necessary for his assessment for any quarter, the value of taxable service for that quarter has escaped assessment or has been under-assessed, or

(b) notwithstanding that there has been no omission or failure as mentioned in clause (a) on the part of the assessee, the Central Excise Officer has, in consequence of information in his possession, reason to believe that the value of any taxable service assessable in any quarter has escaped assessment or has been under-assessed,

he may, in cases falling under clause (a), at any time within five years, and in cases falling under clause (b), at any time within six months from the date for filing the return, serve on the assessee a notice containing all or any of the requirements which may be included in a notice under sub-section (2) of section 70 and may proceed to assess or re-assess the value of taxable service, and the provisions of this Chapter shall, so far as may be, apply, as if the notice were a notice issued under that sub-section.

74. Rectification of mistake. (1) With a view to rectifying any mistake apparent from the record, the Central Excise Officer who passed any order under the provisions of this Chapter may, within two years of the date on which such order was passed, amend the order.

(2) Where any matter has been considered and decided in any proceeding by way of appeal or revision relating to an order referred to in sub-section (1), the Central Excise Officer passing such order may, notwithstanding anything contained in any law for the time being in force, amend the order under that sub-section in relation to any matter other than the matter which has been so considered and decided.

(3) Subject to the other provisions of this section, the Central Excise Officer concerned—

(a) may make an amendment under sub-section (1) of his own motion; or

(b) shall make such amendment if any mistake is brought to his notice by the assessee or the Collector of Central Excise or the Collector of Central Excise (Appeals).

(4) An amendment, which has the effect of enhancing an assessment or reducing a refund or otherwise increasing the liability of the assessee, shall not be made under this section unless the Central Excise Officer concerned has given notice to the assessee of his intention so to do and has allowed the assessee a reasonable opportunity of being heard.

(5) Where an amendment is made under this section, an order shall be passed in writing by the Central Excise Officer concerned.

(6) Subject to the other provisions of this Chapter where any such amendment has the effect of reducing the assessment, the Central Excise Officer shall make any refund which may be due to such assessee.

(7) Where any such amendment has the effect of enhancing the assessment or reducing the refund already made, the Central Excise Officer shall make an order specifying the sum payable by the assessee and the provisions of this Chapter shall apply accordingly.

75. Interest on delayed payment of service tax. Every person responsible for collecting service tax and paying it to the credit of the Central Government in accordance with the provisions of section 68, who fails to credit the tax or any part thereof to the account of the Central Government within the period specified in that section, shall pay simple interest at the rate of one and one-half per cent. for every month or part of a month by which such crediting of the tax or any part thereof is delayed.

76. Penalty for failure to collect or pay service tax. Any person responsible for collecting service tax in accordance with the provisions of sub-section (1) of section 68, who—

(a) fails to collect such tax; or

(b) having collected the service tax, fails to pay such tax to the credit of the Central Government in accordance with the provisions of sub-section (2) of that section,

shall pay,—

(i) in the case referred to in clause (a), in addition to paying the tax in accordance with the provisions of sub-section (3) of that section and interest in accordance with the provisions of section 75, by way of penalty, a sum equal to the amount of service tax that he failed to collect; and

(ii) in the case referred to in clause (b), in addition to paying the tax in accordance with the provisions of sub-section (2) of that section and interest in accordance with the provisions of section 75, by way of penalty, a sum which shall not be less than one hundred rupees but which may extend to two hundred rupees for every day during which the failure continues, so, however, that the penalty under this clause shall not exceed the amount of service tax that he failed to pay.

77. Penalty for failure to furnish prescribed return. If a person fails to furnish in due time the return which he is required to furnish under sub-section (1) of section 70 or by notice given under sub-section (2) of that section, he shall pay, by way of penalty, a sum which shall not be less than one hundred rupees, but which may extend to two hundred rupees for every day during which the failure continues.

78. Penalty for suppressing value of taxable service. If the Central Excise Officer in the course of any proceedings under this Chapter is satisfied that any person has, with intent to evade payment of service tax, suppressed or concealed the value of taxable service or has furnished inaccurate value of such taxable service, he may direct that such person shall pay by way of penalty, in addition to service tax and interest, if any, payable by him, a sum which shall not be less than, but which shall not exceed twice, the amount of service tax sought to be evaded by reason of suppression or concealment of the value of taxable service or the furnishing of inaccurate value of such taxable service:

Provided that if the value of taxable service (as determined by the Central Excise Officer on assessment) in respect of which value has been suppressed or concealed or inaccurate value has been furnished exceeds a sum of twenty-five thousand rupees, the Central Excise Officer shall not issue any direction for payment by way of penalty without the previous approval of the Collector of Central Excise.

79. Penalty for failure to comply with notice. If the Central Excise Officer in the course of any proceedings under this Chapter is satisfied that any person has failed to comply with a notice under sub-section (1) of section 71, he may direct that such person shall pay, by way of penalty, in addition to any service tax and interest, if any, payable by him, a sum which shall not be less than ten per cent. but which shall not exceed fifty per cent. of the amount of the service tax, if any, which would have been avoided if the value of taxable service stated in the return by such person had been accepted as the correct value of taxable service.

80. Penalty not to be imposed in certain cases. Notwithstanding anything contained in the provisions of section 76, section 77, section 78 or section 79, no penalty shall be imposed on the assessee for any failure referred to in the said provisions if the assessee proves that there was reasonable cause for the said failure.

81. Offences by companies. (1) Where an offence under this Chapter has been committed by a company, every person who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Chapter, if he proves that the offence was committed without his knowledge and that he had exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where an offence under this Chapter has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Explanation.—For the purposes of this section,—

(a) "company" means any body corporate and includes a firm or other association of individuals; and

(b) "director" in relation to a firm means a partner in the firm.

82. Power to search premises. (1) If the Central Excise Officer has reason to believe that any documents or books or things which in his opinion will be useful for or relevant to any proceeding under this Chapter are secreted in any place, he may authorise any other Central Excise Officer to search or may himself search for such documents or books or things.

(2) The provisions of the Code of Criminal Procedure, 1973, relating to searches, shall, so far as may be, apply to searches under this section as they apply to searches under that Code.

83. Application of certain provisions of Act 1 of 1944. The provisions of the following sections of the Central Excises and Salt Act, 1944, as in force from time to time, shall apply, so far as may be, in relation to service tax as they apply in relation to a duty of excise:—

9C, 9D, 11, 11B, 12B, 12C, 12D, 12E, 14, 15, 35F to 35-O (both inclusive), 35Q, 36, 36A, 36B, 37A, 37B, 37C, 37D and 40.

84. Revision of orders by the Collector of Central Excise. (1) The Collector of Central Excise may call for the record of a proceeding under this Chapter which has been taken by the Central Excise Officer subordinate to him and may make such inquiry or cause such inquiry to be made and, subject to the provisions of this Chapter, pass such order thereon as he thinks fit.

(2) No order which is prejudicial to the assessee shall be passed under this section unless the assessee has been given an opportunity of being heard.

(3) The Collector of Central Excise shall communicate the order passed by him under sub-section (1) to the assessee, the Central Excise Officer and the Board.

(4) No order under this section shall be passed by the Collector of Central Excise in respect of any issue if an appeal against such issue is pending before the Collector of Central Excise (Appeals).

(5) No order under this section shall be passed after the expiry of two years from the date on which the order sought to be revised has been passed.

85. Appeals to the Collector of Central Excise (Appeals). (1) Any person aggrieved by any assessment order passed by the Central Excise Officer under section 71, section 72 or section 73, or denying his liability to be assessed under this Chapter, or by an order levying interest or penalty under this Chapter, may appeal to the Collector of Central Excise (Appeals).

(2) Every appeal shall be in the prescribed form and shall be verified in the prescribed manner.

(3) An appeal shall be presented within three months from the date of receipt of the decision or order of the Central Excise Officer, relating to service tax, interest or penalty under this Chapter:

Provided that the Collector of Central Excise (Appeals) may, if he is satisfied that the appellant was prevented by sufficient cause from presenting the appeal within the aforesaid period of three months, allow it to be presented within a further period of three months.

(4) The Collector of Central Excise (Appeals) shall hear and determine the appeal and, subject to the provisions of this Chapter, pass such orders as he thinks fit and such orders may include an order enhancing the service tax, interest or penalty:

Provided that an order enhancing the service tax, interest or penalty shall not be made unless the person affected thereby has been given a reasonable opportunity of showing cause against such enhancement.

(5) Subject to the provisions of this Chapter, in hearing the appeals and making orders under this section, the Collector of Central Excise (Appeals) shall exercise the same powers and follow the same procedure as he exercises and follows in hearing the appeals and making orders under the Central Excises and Salt Act, 1944.

86. Appeals to Appellate Tribunal. (1) Any assessee aggrieved by an order passed by a Collector of Central Excise under section 84, or an order passed by a Collector of Central Excise (Appeals) under section 85, may appeal to the Appellate Tribunal against such order.

(2) The Board may, if it objects to any order passed by the Collector of Central Excise under section 84, or the Collector of Central Excise may, if he objects to any order passed by the Collector of Central Excise (Appeals) under section 85, direct the Central Excise Officer to appeal to the Appellate Tribunal against the order.

(3) Every appeal under sub-section (1) or sub-section (2) shall be filed within three months of the date on which the order sought to be appealed against is received by the assessee, the Board or by the Collector of Central Excise, as the case may be.

(4) The Central Excise Officer or the assessee, as the case may be, on receipt of a notice that an appeal against the order of the Collector of Central Excise or the Collector of Central Excise (Appeals) has been preferred under sub-section (1) or sub-section (2) by the other party may, notwithstanding that he may not have appealed against such order or any part thereof, within forty-five days of the receipt of the notice, file a memorandum of cross-objections, verified in the prescribed manner, against any part of the order of the Collector of Central Excise or the Collector of Central Excise (Appeals), and such memorandum shall be disposed of by the Appellate Tribunal as if it were an appeal presented within the time specified in sub-section (3).

(5) The Appellate Tribunal may admit an appeal or permit the filing of a memorandum of cross-objections after the expiry of the relevant period referred to in sub-section (3) or sub-section (4) if it is satisfied that there was sufficient cause for not presenting it within that period.

(6) An appeal to the Appellate Tribunal shall be in the prescribed form and shall be verified in the prescribed manner and shall, except in the case of an appeal referred to in sub-section (2) or a memorandum of cross-objections referred to in sub-section (4), be accompanied by a fee of two hundred rupees.

(7) Subject to the provisions of this Chapter, in hearing the appeals and making orders under this section, the Appellate Tribunal shall exercise the same powers and follow the same procedure as it exercises and follows in hearing the appeals and making orders under the Central Excises and Salt Act, 1944.

87. Wilful attempt to evade service tax, etc. If a person wilfully attempts in any manner whatsoever to evade collection or payment of any service tax, interest or penalty chargeable or imposable under this Chapter, or to suppress or conceal the total value of taxable services, he shall, without prejudice to any penalty that may be imposable on him under any other provisions of this Chapter, be punishable with imprisonment for a term which may extend to seven years and with fine.

Explanation.—For the purposes of this section, a wilful attempt to evade payment of any service tax, interest or penalty chargeable or imposable under this Chapter shall include a case where any person—

(i) has in his possession or control any books of account or other documents (being books of account or other documents relevant to any proceeding under this Chapter) containing a false entry or statement; or

(ii) makes or causes to be made any false entry or statement in such books of account or other document; or

- (iii) wilfully omits or causes to be omitted any relevant entry or statement in such books of account or other documents; or
- (iv) causes any other circumstances to exist which will have the effect of enabling such person to evade payment of any service tax, interest or penalty chargeable or impossible under this Chapter.

88. Failure to furnish prescribed returns. If a person fails to furnish the return which he is required to furnish by a notice given under sub-section (2) of section 70, he shall, without prejudice to any penalty that may be impossible on him under any other provision of this Chapter, be punishable with imprisonment for a term which may extend to three years and with fine.

89. False statement in verification, etc. If a person makes a statement in any verification under this Chapter or any rule made thereunder, or delivers an account or statement, which is false, and which he either knows or believes to be false, or does not believe to be true, he shall be punishable with imprisonment for a term which may extend to three years and with fine.

90. Abetment of false return, etc. If a person abets or induces in any manner another person to make and deliver an account or a statement or declaration relating to any taxable service which is false and which he either knows to be false or does not believe to be true or to commit an offence under section 87, he shall be punishable with imprisonment for a term which may extend to seven years and with fine.

91. Certain offences to be non-cognizable. Notwithstanding anything contained in the Code of Criminal Procedure 1973, an offence punishable under section 87 or section 88 or section 89 or section 90 shall be deemed to be non-cognizable within the meaning of that code.

92. Institution of proceedings. A person shall not be proceeded against for any offence under section 87 or section 88 or section 89 or section 90 except with the previous sanction of the Principal Collector of Central Excise.

93. Power to grant exemption from service tax. The Central Government may, if it is satisfied that it is necessary so to do in the public interest, by notification in the Official Gazette, exempt generally or subject to such conditions as may be specified in the notification, taxable service of any specified description from the whole or any part of service tax leviable thereon.

94. Power to make rules. (1) The Central Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Chapter.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(a) the time and manner and the form in which application for registration may be made under sub-section (1) of section 69 and the form in which the certificate of registration may be granted under sub-section (4) of section 69;

(b) the form in which returns under section 70 may be furnished, the manner in which they may be verified and other particulars which a form may contain;

(c) the form in which appeal under section 85 or under sub-section (6) of section 86 may be filed and the manner in which they may be verified;

(d) the manner in which a memorandum of cross-objections under sub-section (4) of section 86 may be verified;

(e) any other matter which by this Chapter is to be or may be prescribed.

(3) The power to make rules conferred by this section shall on the first occasion of the exercise thereof include the power to give retrospective effect to the rules or any of them from a date not earlier than the date on which the provisions of this Chapter come into force.

(4) Every rule made under this Chapter and every notification issued under section 93 shall be laid, as soon as may be after it is made or issued, before each House of Parliament, while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or notification or both Houses agree that the rule should not be made or the notification should not be issued, the rule or notification shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or notification.

95. Power to remove difficulties. (1) If any difficulty arises in giving effect to the provisions of this Chapter, the Central Government may, by order published in the Official Gazette, not inconsistent with the provisions of this Chapter, remove the difficulty:

Provided that no such order shall be made after the expiry of a period of two years from the date on which the provisions of this Chapter come into force.

(2) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.

96. Consequential amendment. In the Economic Offences (Inapplicability of Limitation) Act, 1974, in the Schedule, after entry 7 relating to the Central Excises and Salt Act, 1944, the following entry shall be inserted, namely:—

"7A Chapter V of the Finance Act, 1994."

CHAPTERS VI & VII : [Section 97 RELATE TO FOREIGN TRAVEL TAX & Section 98 RELATE TO INLAND AIR TRAVEL TAX]

CHAPTER VIII : MISCELLANEOUS

99. Amendment of Act 2 of 1899. In the Indian Stamp Act, 1899,—

(i) in section 9, in sub-section (1) in clause (b), after the words "or other body corporate", the words and brackets "or of transfers (where there is a single transferee, whether incorporated or not)" shall be inserted;

(ii) in Schedule I,—

(a) in article No. 14, in the second column, for the words "One rupee", the words "Two rupees" shall be substituted;

(b) in article No. 53,—

(1) in the first column, for the words "twenty rupees", the words "five hundred rupees" shall be substituted;

(2) in the second column, for the words "Twenty paise", the words "One rupee" shall be substituted.

THE FIRST SCHEDULE

(See section 2)

PART I

INCOME-TAX

Paragraph A

Sub-Paragraph 1

In the case of every individual or Hindu undivided family or association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

Rates of income-tax

- | | |
|--|--|
| (1) where the total income does not exceed Rs. 30,000 | Nil; |
| (2) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 | 20 per cent. of the amount by which the total income exceeds Rs. 30,000; |
| (3) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 4,000 plus 30 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (4) where the total income exceeds Rs. 1,00,000 | Rs. 19,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph or section 112 shall,—

(i) in the case of every individual or Hindu undivided family having a total income exceeding one hundred thousand rupees, be reduced by the amount of rebate of income-tax calculated under Chapter VIII-A, and the income tax as so reduced,

(ii) in the case of every person, other than those mentioned in item (i) having a total income exceeding one hundred thousand rupees,

be increased by a surcharge for purposes of the Union calculated at the rate of twelve per cent. of such income-tax: Provided that no such surcharge shall be payable by a non-resident.

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1994 exceeds Rs. 30,000,—

Rates of income-tax

- | | |
|--|--|
| (1) where the total income does not exceed Rs. 18,000 | Nil; |
| (2) where the total income exceeds Rs. 18,000 but does not exceed Rs. 1,00,000 | 30 per cent. of the amount by which the total income exceeds Rs. 18,000; |
| (3) where the total income exceeds Rs. 1,00,000 | Rs. 24,600 plus 40 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph or section 112 shall, in the case of every person having a total income exceeding one hundred thousand rupees, be reduced by the amount of rebate of income-tax calculated under Chapter VIII-A and the income-tax as so reduced, be increased by a surcharge for purposes of the Union calculated at the rate of twelve per cent. of such income-tax:

Provided that no such surcharge shall be payable by a non-resident.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

- | | |
|--|---|
| (1) where the total income does not exceed Rs. 10,000 | 10 per cent. of the total income; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 | Rs. 1,000 plus 20 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (3) where the total income exceeds Rs. 20,000 | Rs. 3,000 plus 35 per cent. of the amount by which the total income exceeds Rs. 20,000. |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph or section 112 shall, in the case of every person having a total income exceeding one hundred thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of twelve per cent. of such income-tax.

Paragraph C

In the case of every firm,—

Rate of income-tax

On the whole of the total income 40 per cent.

Surcharge on income-tax.

The amount of income-tax computed at the rate hereinbefore specified or in section 112 shall, in the case of every firm having a total income exceeding one hundred thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of twelve per cent. of such income-tax.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income 30 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified or in section 112 shall, in the case of every person having a total income exceeding one hundred thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of twelve per cent. of such income-tax.

Paragraph E

In the case of a company,—

Rates of income-tax

I. In the case of a domestic company,—

- (1) where the company is a company in which the public are substantially interested 45 per cent. of the total income;
- (2) where the company is not a company in which the public are substantially interested 50 per cent. of the total income.

II. In the case of a company other than a domestic company,—

(i) on so much of the total income as consists of—

(a) royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or

(b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,

and where such agreement has, in either case, been approved by the Central Government 50 per cent.;

(ii) on the balance, if any, of the total income 65 per cent.

Surcharge on income-tax

The amount of income-tax computed in accordance with the provisions of this Paragraph or section 112 shall, in the case of every domestic company having a total income exceeding seventy-five thousand rupees, be increased by a surcharge calculated at the rate of fifteen per cent. of such income-tax.

PART II

RATES FOR DEDUCTION OF TAX AT SOURCE IN CERTAIN CASES

In every case in which under the provisions of sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction at the following rates:—

	Rate of income-tax
1. In the case of a person other than a company—	
(a) where the person is resident in India—	
(i) on income by way of interest other than "Interest on securities"	† 10 per cent.;
(ii) on income by way of winnings from lotteries and crossword puzzles	† 40 per cent.;
(iii) on income by way of winnings from horse races	† 40 per cent.;
(iv) on income by way of insurance commission	† 10 per cent.;
(v) on income by way of interest payable on—	† 10 per cent.;
(A) any security of the Central or a State Government;	
(B) any debentures or other securities for money issued by or on behalf of any local authority or a corporation established by a Central, State or Provincial Act;	
(C) any debentures issued by a company where such debentures are listed on a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 and any rules made thereunder;	
(vi) on any other income	20 per cent.;
(b) where the person is not resident in India—	
(i) In the case of a non-resident Indian—	
(A) on investment income and long-term capital gains	20 per cent.;
(B) on income by way of dividends and interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency	20 per cent.;
(C) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;
(D) on income by way of winnings from horse races	40 per cent.;
(E) on the whole of other income	income-tax at 30 per cent. of the amount of income or income-tax in respect of the income at the rates prescribed in Sub-Paragraph 1 of Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher;
(ii) in the case of any other person—	
(A) on income by way of dividends, interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency, and income payable in respect of units (not being income payable to an individual), purchased in foreign currency, of the Unit Trust of India	20 per cent.;

† The amount of income-tax deducted is not to be increased by a surcharge on such income-tax.

	Rate of income-tax
(B) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;
(C) on income by way of winnings from horse races	40 per cent.;
(D) on income by way of long-term capital gains	20 per cent.;
(E) on the whole of the other income	income-tax at 30 per cent. of the amount of income or income-tax in respect of the income at the rates prescribed in Sub-Paragraph 1 of Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher;

2. In the case of a company—

(a) where the company is a domestic company—

- (i) on income by way of interest other than "Interest on securities" * 20 per cent.;
- (ii) on income by way of winnings from lotteries and crossword puzzles * 40 per cent.;
- (iii) on income by way of winnings from horse races * 40 per cent.;
- (iv) on any other income * 21.5 per cent.;

(b) where the company is not a domestic company—

- (i) on income by way of dividends payable by any domestic company 20 per cent.;
- (ii) on income by way of winnings from lotteries and crossword puzzles 40 per cent.;
- (iii) on income by way of winnings from horse races 40 per cent.;
- (iv) on income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency 20 per cent.;

- (v) on income by way of royalty payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1976, where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the first proviso to sub-section (1A) of section 115A of the Income-tax Act, to the Indian concern, or in respect of any computer software referred to in the second proviso to sub-section (1A) of section 115A of the Income-tax Act, to a person resident in India 30 per cent.;

- (vi) on income by way of royalty [not being royalty of the nature referred to in sub-item (b)(v)] payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy—

- (A) where the agreement is made after the 31st day of March, 1961 but before the 1st day of April, 1976 50 per cent.;
- (B) where the agreement is made after the 31st day of March, 1976 30 per cent.;

* The amount of income-tax deducted is to be increased by a surcharge at the rate 15% of such income-tax.

(vii) on income by way of fees for technical services payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy—

(A) where the agreement is made after the 29th day of February, 1964 but before the 1st day of April, 1976 50 per cent.;

(B) where the agreement is made after the 31st day of March, 1976 30 per cent.;

(viii) on income payable in respect of units, purchased in foreign currency, of the Unit Trust of India 20 per cent.;

(ix) on income by way of long-term capital gains 20 per cent.;

(x) on any other income 55 per cent.

Explanation.— For the purpose of item 1 (b) (i) of this Part, “investment income” and “non-resident Indian” shall have the meanings assigned to them in Chapter XII-A of the Income-tax Act.

Surcharge on income-tax

The amount of income-tax deducted in accordance with the provisions of sub-item (a) of item 2 of this Part shall be increased by a surcharge, calculated at the rate of fifteen per cent. of such income-tax.

PART III

RATES FOR CALCULATING OR CHARGING INCOME-TAX IN CERTAIN CASES, DEDUCTING INCOME-TAX FROM INCOME CHARGEABLE UNDER THE HEAD “SALARIES” AND COMPUTING “ADVANCE TAX”

In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head “Salaries” or in which the “advance tax” payable under Chapter XVII-C of the said Act has to be computed at the rate or rates in force, such income-tax or, as the case may be, “advance tax” [not being “advance tax” in respect of any income chargeable to tax under Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167B of the Income-tax Act at the rates as specified in that Chapter or surcharge on such “advance tax” in respect of any income chargeable to tax under section 115B], shall be calculated, charged, deducted or computed at the following rate or rates:—

Paragraph A

Sub-Paragraph I

In the case of every individual or Hindu undivided family or association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

Rates of income-tax

- | | |
|--|--|
| (1) where the total income does not exceed Rs. 35,000 | Nil; |
| (2) where the total income exceeds Rs. 35,000 but does not exceed Rs. 60,000 | 20 per cent. of the amount by which the total income exceeds Rs. 35,000; |
| (3) where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,20,000 | Rs. 5,000 plus 30 per cent. of the amount by which the total income exceeds Rs. 60,000; |
| (4) where the total income exceeds Rs. 1,20,000 | Rs. 23,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 1,20,000. |

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1995 exceeds Rs. 35,000,—

Rates of income-tax

- | | |
|--|---|
| (1) where the total income does not exceed Rs. 18,000 | Nil; |
| (2) where the total income exceeds Rs. 18,000 but does not exceed Rs. 1,00,000 | 30 per cent. of the amount by which the total income exceeds Rs. 18,000; |
| (3) where the total income exceeds Rs. 1,00,000 | Rs. 24,600 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

- | | |
|--|--|
| (1) where the total income does not exceed Rs. 10,000 | 10 per cent. of the total income; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 | Rs. 1,000 <i>plus</i> 20 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (3) where the total income exceeds Rs. 20,000 | Rs. 3,000 <i>plus</i> 35 per cent. of the amount by which the total income exceeds Rs. 20,000. |

Paragraph C

In the case of every firm,—

Rate of income-tax

- | | |
|----------------------------------|--------------|
| On the whole of the total income | 40 per cent. |
|----------------------------------|--------------|

Paragraph D

In the case of every local authority,—

Rate of income-tax

- | | |
|----------------------------------|--------------|
| On the whole of the total income | 30 per cent. |
|----------------------------------|--------------|

Paragraph E

In the case of a company,—

Rates of income-tax

- | | |
|--------------------------------------|-----------------------------------|
| I. In the case of a domestic company | 40 per cent. of the total income; |
|--------------------------------------|-----------------------------------|

- | | |
|--|--|
| II. In the case of a company other than a domestic company,— | |
|--|--|

- (i) on so much of the total income as consists of —

(a) royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976 or

(b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,

and where such agreement has, in either case, been approved by the Central Government

- | | |
|--|--------------|
| (ii) on the balance, if any, of the total income | 55 per cent. |
|--|--------------|

Surcharge on income-tax

The amount of income-tax computed in accordance with the provisions of this Paragraph or section 112 shall, in the case of every domestic company having a total income exceeding seventy-five thousand rupees, be increased by a surcharge calculated at the rate of fifteen per cent. of such income-tax.

SALIENT FEATURES OF THE FINANCE ACT, 1994:

I. RATES OF INCOME-TAX:

(i) Rates of income-tax applicable to taxable income for the assessment year 1994-95:

These rates are specified in Part I of the First Schedule to the Finance Act, 1994 and are the same for all the categories of taxpayers as those specified in Part III of the First Schedule to the Finance Act, 1993, for the purpose of payment of "advance tax" and deduction of tax at source from "salaries" during the financial year 1993-94. It may be noted that surcharge at the rate of 12%/15% on income-tax is not payable by non-residents and foreign companies even in cases where the total (taxable) income exceeds Rs. 1,00,000/Rs. 75,000, respectively [Refer pp. 26-27].

(ii) Rates for deduction of tax at source during the financial year 1994-95 from income other than "salaries":

The rates at which tax is required to be deducted at source from incomes by way of interest on securities, other categories of interest, dividends, insurance commissions, investment income of non-resident Indians, etc., are laid down in Part II of the First Schedule to the Finance Act, 1994 [Refer pp. 28-30]. These rates are the same as those specified in Part II of the First Schedule to the Finance Act, 1993, except that on the income by way of-

(1) dividends, the rate of deduction of income-tax, in the case of a non-resident (including NRI) is @ 20%, and in the case of a foreign company is @ 20% as against 25% in the preceding financial year;

(2) interest payable by Government or Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency, the rate of deduction of income-tax, in the case of a non-resident (including NRI) is @ 20%, and in the case of a foreign company is @ 20% as against 25% in the preceding financial year;

(3) income payable in respect of units of Unit Trust of India, purchased in foreign currency, the rate of deduction of income-tax, in the case of a non-resident (other than non-resident individual) and a foreign company is @ 20%;

(4) long-term capital gains, the rate of deduction of income-tax, in the case of a non-resident is @ 20%, and in the case of a foreign company is @ 20% as against 40% in the preceding financial year; and

(5) any other income, the rate of deduction of income-tax, in the case of a foreign company is @ 55% as against 65% in the preceding financial year.

In respect of payments of income referred to in Part II as also in cases in which tax has to be deducted at source under sections 194C, 194EE, 194F, 194G and (w.e.f. 1-6-1994) 194-I, or where tax is to be collected at source from a buyer by the seller u/s. 206C, the amount of tax so deducted/collected shall be increased in the case of a domestic company only by a surcharge at the rate of 15% of the amount of tax deducted/collected. However, deduction in respect of surcharge is not to be made where the payment is made to a non-corporate resident assessee, non-resident, non-resident Indian or foreign company.

The amendments made to provisions relating to deduction of tax at source are as under:

(1) W.e.f. 1-6-1994, any income by way of rent, referred to in newly inserted section 194-I, payable to any person by a person other than an individual or a HUF, is subject to deduction of income-tax at source at the rate of 20%. The liability to deduct tax at source will arise if the rent payment exceeds Rs. 1,20,000 during the financial year. The tax is required to be deducted at source either at the time of payment of rent or at the time of credit of such income to the account of payee, whichever is earlier. Rent for this purpose means any payment under any lease, sub-lease, tenancy or other agreement or arrangement for the use of any land or any building (including factory building), together with furniture, fittings and the land appurtenant thereto, whether or not such property is owned by the payee [Refer section 40 of the Finance Act, 1994].

(2) At present, under section 194C, a resident contractor making payment to a resident sub-contractor has to deduct tax at source. However, where the main contractor has contracted to execute works, etc., with the Government of a foreign State or a foreign enterprise or any association or body established outside India, there is no liability to deduct tax at source where payment is made to a resident sub-contractor in respect of such contracts. Under the amendment of the Explanation to section 194C, which takes effect from 1-6-1994 and will accordingly apply to all such payments payable on or after that date, brings such payments to resident sub-contractor also under the purview of the tax to be deducted at source as it exists u/s. 194C [Refer section 39 of the Finance Act, 1994].

(iii) *Rates for deduction of tax at source from "salaries" and for computation of "advance tax" during the financial year 1994-95:*

Assessment year 1995-96:

These rates are specified in Part III of the First Schedule to the Finance Act, 1994 [Refer pp. 30-31] and are the same as applicable to the total (taxable) income for the assessment year 1994-95 except that –

(1) in the case of individuals, Hindu undivided families [other than those with one or more members having independent total (taxable) income exceeding Rs. 35,000], association of persons, etc., the exemption limit has been raised from Rs. 30,000 to Rs. 35,000. The rate of income-tax applicable to slab of income of: (a) Rs. 50,000 to Rs. 60,000 is 20% as against 30% in the preceding assessment year, (b) Rs. 60,000 to Rs. 1,00,000 is 30% as in the preceding assessment year, (c) Rs. 1,00,000 to Rs. 1,20,000 is 30% as against 40% in the preceding assessment year, and (d) Rs. 1,20,000 and above is 40% as in the preceding assessment year.

(2) in the case of non-corporate resident assessee, surcharge on income-tax @ 12% on income-tax is not payable even where the total (taxable) income exceeds Rs. 1,00,000 as in the preceding assessment year.

(3) in the case of domestic companies in which the public are substantially interested (widely-held companies) and domestic companies in which the public are not substantially interested (closely-held companies), the rate of income-tax is 40% of the total (taxable) income as against 45% or 50%, respectively, of the total (taxable) income as in the preceding assessment year. Surcharge at the rate of 15% on income-tax is payable by such companies where the total (taxable) income exceeds Rs. 75,000 as in the preceding assessment year [Refer page 31].

(4) in the case of foreign companies, the rate of income-tax is 55% as against 65% in the preceding assessment year.

II. IMPORTANT AMENDMENTS IN THE INCOME-TAX ACT, 1961:

1. Amendments to provisions relating to exemption from total income:

1.1 TAX CONCESSIONS ON PAYMENTS UNDER VOLUNTARY RETIREMENT SCHEMES EXTENDED TO EMPLOYEES OF CO-OPERATIVE SOCIETY, UNIVERSITY, ETC.:

[Amendment of clause (10C) in section 10 w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer section 6(1) of the Finance Act, 1994]

At present, any payment received by an employee of a public sector company or any other company, etc., at the time of his voluntary retirement under a scheme framed in accordance with the guidelines prescribed under Rule 2BA of the Income-tax Rules is exempt subject to the conditions prescribed therefor vide page 68.

Under the amendment, from assessment year 1995-96 and onwards, the said exemption has been extended to the employees of:

- (1) a co-operative society,
- (2) a University established/incorporated under a Central, State or Provincial Act and an institution declared to be a University u/s. 3 of the University Grants Commission Act, 1956,
- (3) an Indian Institute of Technology,
- (4) such institute of management as may be notified by the Central Government.

The voluntary retirement scheme has to be framed in accordance with Rule 2BA of the Income-tax Rules. In the case of a co-operative society, such scheme is required to be approved by the Chief Commissioner or Director-General.

1.2 INCOME-TAX EXEMPTION ON THE INCOME OF SPECIFIED NEWS AGENCIES:

[Insertion of new clause (22B) in section 10 w.e.f. 1-4-1994 (assessment year 1994-95 and onwards). Refer section 6(2) of the Finance Act, 1994]

The newly inserted clause (22B) in section 10 provides for income-tax exemption in respect of any income of such news agency set up in India solely for collection and distribution of news as the Central Government may notify. In order to avail exemption, the said news agency should apply or accumulate its income only for collection and distribution of news and not for distribution in any manner to its members. The exemption will be available for a maximum of three assessment years at any one time, as may be specified in the notification.

1.3 TAX EXEMPTION OF INCOME OF BODIES ESTABLISHED FOR PROMOTING THE INTERESTS OF BACKWARD CLASSES:

[Amendment of clause (26B) in section 10 w.e.f. 1-4-1993 (assessment year 1993-94 and onwards). Refer section 6(4) of the Finance Act, 1994]

At present, any income of a corporation/body set up and wholly financed by Government for promoting the interests of the members of the Scheduled Castes/Tribes is wholly exempt. Under the amendment, the said exemption is extended to similar corporation/body set up to promote the interests of backward classes also. The backward classes are to be notified by the Central or State Government from time to time.

2. Amendment relating to newly established 100% export-oriented undertakings:

2.1 TAX HOLIDAY FOR 100% EXPORT-ORIENTED UNDERTAKINGS PRODUCING COMPUTER SOFTWARE:

[Amendment of section 10B w.e.f. 1-4-1995/1-4-1994 (assessment year 1995-96/1994-95, and onwards). Refer section 7 of the Finance Act, 1994]

At present, a five year tax holiday is allowed to 100% export-oriented undertakings (EOUs), subject to the conditions specified in section 10B. Two amendments have been made by the Finance Act, 1994. These are as under:

(1) From assessment year 1995-96 and onwards, EOUs which begin to manufacture or produce any article or thing on or after 1-4-1994, should export atleast 75% of total sales during the previous year to avail of tax holiday u/s. 10B. If the exports are less than 75% of the total sales, such units will be eligible for deduction of export profits u/s. 80HHC and not for tax holiday u/s. 10B.

(2) From assessment year 1994-95 and onwards, the term 'produce' has been defined, in the Explanation to section 10B, to include production of computer programmes and as such EOUs producing computer software will also be eligible for tax holiday u/s. 10B.

3. Amendments to provisions relating to charitable and religious trusts:

3.1 MONETARY LIMIT IN RESPECT OF CONTRIBUTION BY THE INTERESTED PERSONS DERIVING BENEFITS AND COMPULSORY AUDIT OF ACCOUNTS RAISED:

[Amendments of section 12A(b) & 13(3)(b) w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer sections 8 & 9 of the Finance Act, 1994]

At present, under section 12A(b), where the total income of the trust as computed under the Income-tax Act before exemption u/s. 11 & 12 exceeds Rs. 25,000 in any year, the accounts of the trust for that year are required to be audited by a Chartered Accountant. Under the amendment, the said monetary limit has been raised to Rs. 50,000 in relation to assessment year 1995-96 and subsequent years.

At present, under section 13(3)(b), read with section 13(1)(c) and 13(2), where any benefit arises out of the income of the trust to a substantial contributor who has made total contribution exceeding Rs. 25,000 upto the end of the previous year, the trust will not be allowed exemption u/s. 11. Under the amendment, the said monetary limit has been raised to Rs. 50,000 in relation to assessment year 1995-96 and subsequent years.

4. Amendment in relation to residential status of Indian citizens/non-resident Indians:

4.1 EXTENSION OF PERIOD OF STAY IN INDIA IN THE CASE OF INDIAN CITIZENS/NON-RESIDENT INDIANS:

[Amendment of clause (b) of Explanation to section 6(1)(c) w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer section 5 of the Finance Act, 1994]

At present, an Indian citizen or a person of Indian origin (i.e., non-resident Indian) who resides outside India and who comes on a visit to India in any previous year will be treated as resident in India if his stay in India in that year amounts to 150 days or more. If the period of his stay in India in that year is less than 150 days, he will be treated as non-resident.

Under the amendment, from assessment year 1995-96 and onwards, the above period of stay in India has been increased from 150 to 182 days or more. Thus, an Indian citizen or a non-resident Indian can stay in India during the financial year 1994-95 and subsequent years upto 181 days in all in each financial year without losing the non-resident status.

5. Amendment relating to computation of salary income:

5.1 EXEMPTION IN RESPECT OF MEDICAL EXPENDITURE REIMBURSED BY THE EMPLOYER:

[Substitution of clause (ii) of proviso to section 17(2) w.e.f. 1-4-1993 (assessment year 1993-94 and onwards). Refer section 10 of the Finance Act, 1994]

At present, perquisite in the form of reimbursement of medical expenses incurred by an employee for himself and any member of his family is exempt if the treatment is undertaken in hospitals run by Government, local authority or approved hospitals under Central Health Scheme or a similar scheme of any State Government. In respect of hospitals approved by the Chief Commissioner as per guidelines (refer Rule 3A on page 84), the perquisite will be exempt only if the employer makes direct payment to the concerned hospital.

Under the amendment, from assessment year 1993-94 and onwards, reimbursement of medical expenses incurred by the employee for himself and any member of his family in any hospital approved by the Chief Commissioner will also be exempt, provided the employee attaches with the return of income a certificate from the hospital specifying the prescribed disease or ailment for which medical treatment was required and also the receipt for the amount paid to the hospital.

6. Amendments relating to computation of income from house property:

6.1 ENHANCEMENT OF LIMIT OF DEDUCTION FOR INTEREST PAID IN CASE OF SELF-OCCUPIED HOUSE PROPERTY:

[Amendment of proviso to section 24(2) w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer section 11 of the Finance Act, 1994]

At present, a deduction upto Rs. 5,000 is allowed in respect of interest payable on borrowed capital used for acquiring, constructing, reconstructing or repairing self-occupied house property.

Under the amendment, the above limit of Rs. 5,000 has been raised to Rs. 10,000 from assessment year 1995-96 and onwards. As the annual value of the self-occupied house property is taken at 'nil' u/s. 23(2)(a)(i), the deduction upto Rs. 10,000 will result in a loss. Such loss will be allowed to be set off against income under any other head of income in the same year u/s. 71 [Refer para 6.2 below].

6.2 TREATMENT OF LOSS UNDER THE HEAD "INCOME FROM HOUSE PROPERTY":

[Substitution of sections 71(4) & 71A w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer sections 21 & 22 of the Finance Act, 1994]

The aforesaid sections were effective, with effect from assessment year 1993-94. The effect of the provisions of those sections is that loss from let-out house property cannot be set off against any other head of income [Section 71(4)]. Further, carried forward loss of past years from house property, in so far as it relates to interest on borrowed capital referred to in section 24(1) (vi), is allowed to be set off only against income under the head "Income from house property" [Section 71A].

The substituted section 71(4), with effect from assessment year 1995-96 and onwards, provides that where the net result of the computation under the head "Income from house property" is a loss in respect of assessment year 1995-96 and 1996-97, then such loss shall be first set off against income under other heads of income u/s. 71(1) & 71(2) in the same year.

The substituted section 71A, with effect from assessment year 1995-96 and onwards, provides that where the net result of computation under the head "Income from house property" is a loss in respect of assessment years 1993-94 and 1994-95, such loss, in so far as it relates to interest on borrowed capital referred to in section 24(1)(vi), shall be carried forward and set off in the assessment year 1995-96 and the balance, if any, in assessment year 1996-97, against income under any head. This set off will be done after setting off the current loss, if any, as per substituted section 71(4) explained above.

7. Amendments relating to computation of business/professional income:

7.1 ADDITIONAL SCHEME FOR TEA GROWERS & MANUFACTURERS:

[Amendment of section 33AB w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer section 12 of the Finance Act, 1994]

At present, deposit made by tea grower and manufacturer with National Bank for Agricultural and Rural Development in a special account in accordance with the scheme framed by the Tea Board is deductible from total income, subject to a ceiling of 20% of profits of such business and other conditions vide item (7) on page 102.

Under the amendment, the benefit of deduction as stated above is extended to deposits in a Tea Deposit Account made under any other scheme framed by the Tea Board and approved by the Central Government.

7.2 AMBIT OF TAX CONCESSIONS FOR SCIENTIFIC RESEARCH WIDENED:

[Amendment of section 35(2AA) w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer section 13 of the Finance Act, 1994]

At present, any sum paid by an assessee carrying on business or profession to a National Laboratory for carrying out programme of scientific research as is approved by the prescribed authority, is eligible for weighted deduction of 125% of the sum so paid [For details, refer sub-item (e) of item (9) on page 104].

Under the amendment, similar payment made as aforesaid to a University or an Indian Institute of Technology will also be eligible for weighted deduction of 125% of the sum so paid. The definition of the term "National Laboratory" under the Explanation to section 35 (2AA) is also being widened to include scientific laboratory functioning at the national level under the Defence Research and Development Organisation, the Department of Electronics/Bio-Technology/Atomic Energy.

7.3 DEDUCTION FOR PROVISIONS MADE FOR BAD AND DOUBTFUL DEBTS BY RURAL BRANCHES OF BANKS:

[Amendment of section 36(1)(viiia) & omission of section 36(1)(viiiia) w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer section 14 of the Finance Act, 1994]

At present, under section 36(1) (viiia), a special deduction is available, for bad and doubtful debts provision made by rural branches of specified banks @ 4% of aggregate average advances by them, subject to prescribed conditions. Under the amendment, the limit of the said deduction is raised to 10%.

Under the existing clause (viiiia) of section 36(1), a scheduled bank incorporated in India and doing banking business outside India is entitled to create a special reserve upto 40% of the total income and to claim it as a deduction subject to prescribed conditions. This provision has been omitted by the Finance Act, 1994. Hence-forward such banks will be entitled to deduction u/s. 36(1)(viiia).

7.4 ESTIMATED INCOME METHOD FOR ASSESSEES ENGAGED IN THE BUSINESS OF CIVIL CONSTRUCTION, ETC.:

[Insertion of new section 44AD w.e.f. 1-4-1994 (assessment year 1994-95 and onwards). Refer section 16 of the Finance Act, 1994]

The new section 44AD provides for a simplified method of computing the business income of civil contractors in relation to assessment year 1994-95 and subsequent years. The salient features are:

(a) The provision of new section 44AD applies to an assessee engaged in the business of civil construction or supply of labour for civil construction, whose gross receipts from the said business do not exceed Rs. 40,00,000. The term "civil construction" includes the construction or repair of any building, bridge, dam or other structure or of any canal or road and the execution of any works contract.

(b) The profit from the said business shall be deemed to be 8% of the gross receipts paid or payable to the assessee during the previous year or a higher sum as may be declared by the assessee.

(c) Any deduction allowable u/s. 30 to 38 shall be deemed to have been allowed and no further deduction under those sections shall be allowed from the deemed profit as in (b) above.

(d) Similarly, depreciation on assets used for the said business shall also be deemed to have been allowed and the written down value of the said assets shall be worked out on that basis.

(e) The assessee is not required either to maintain books of account u/s. 44AA or to get the accounts audited u/s. 44AB in respect of the aforesaid business income. In computing the monetary limits u/s. 44AA/44AB, the gross receipts or as the case may be, the income from the business of civil construction shall be excluded.

(f) The profit computed above shall be aggregated with the other incomes of the assessee and thereafter deductions under Chapter VIA and tax rebates under Chapter VIII A will be allowed.

(g) Where the assessee claims that the profit from the said business is less than 8% of the gross receipts in a previous year, this scheme will not be applicable. But in such a case, the assessee will have to produce evidence to prove that the profit is lower than the said deemed profit. The Assessing Officer shall scrutinise the case & frame the assessment u/s. 143(3).

7.5 ESTIMATED INCOME METHOD FOR ASSESSEES ENGAGED IN THE BUSINESS OF PLYING, HIRING OR LEASING GOODS CARRIAGES:

[Insertion of new section 44AE w.e.f. 1-4-1994 (assessment year 1994-95 and onwards). Refer section 16 of the Finance Act, 1994]

The scheme is similar to the one applicable to civil contractors discussed in preceding para 7.4 and is applicable in relation to assessment year 1994-95 & subsequent years as under:

(a) The scheme does not apply to assessee owning more than 10 goods carriages. The assessee who has taken goods carriage on hire purchase or on instalments, will be deemed to be the owner of such goods carriage for the purposes of this scheme.

(b) The deemed profit of a previous year is to be computed as under:

Type of vehicle:

Deemed profit:

(1) For each heavy goods vehicle

Rs. 2,000 per month or part of a month,

(2) For each vehicle other than heavy goods vehicle. Rs. 1,800 per month or part of a month,

OR

profit higher than the aggregate of (1) & (2) above, as may be declared by the assessee.

(c) The other conditions are similar to those enumerated in (c) to (g) of para 7.4 above.

7.6 EXTENSION OF THE SIMPLIFIED PROCEDURE FOR SMALL BUSINESSMEN BEYOND ASSESSMENT YEAR 1994-95:

[Amendment of sections 115K & 115N w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer sections 33 & 34 of the Finance Act, 1994]

At present, a simplified scheme of tax on presumptive income basis is applicable to certain specified retail traders, etc. [For details refer page 114]. This scheme was made operative only for two assessment years i.e., 1993-94 and 1994-95.

Under the amendment, the following modifications to the scheme have been made:

- (a) The scheme is extended to assessment year 1995-96 and subsequent years.
- (b) The limit of deemed income for assessment year 1995-96 has been raised from Rs. 37,000 to Rs. 42,000.
- (c) The truck operators are excluded from the scheme in view of the insertion of new section 44AE, vide para 7.5 on page 36.
- (d) The scheme will be applicable to any other business as may be prescribed through rules.

The amendment to section 115N is textual in character.

8. Amendments relating to computation of capital gains:**8.1 PERIOD OF HOLDING FOR QUOTED SECURITIES & UNITS OF UTI / MUTUAL FUNDS :**

[Amendment of section 2 (42A) w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer section 3(e) of the Finance Act, 1994]

At present, excepting shares in a company, all other capital assets if held for not more than 36 months immediately preceding the date of its transfer are to be categorised as short-term capital asset. Conversely, if such assets held for more than 36 months, are to be categorised as long-term capital asset. Assets being shares in a company, if held for not more than 12 months immediately preceding the date of its transfer, are to be categorised as short-term capital asset. Conversely, if such shares held for more than 12 months, are to be categorised as long-term capital asset.

Under the amendment, in relation to assessment year 1995-96 and subsequent years, any capital asset being any security¹ listed in a recognised stock exchange in India or a unit of the Unit Trust of India or a unit of a Mutual Fund specified u/s. 10 (23D) are to be categorised as short-term capital asset if held for not more than 12 (instead of 36) months immediately preceding the date of its transfer. Conversely, if such capital assets held for more than 12 (instead of 36) months, are to be categorised as long-term capital asset. Thus, all the aforesaid securities/units transferred on or after 1-4-1994 will be treated as long-term capital asset, if they are held for a period of more than 12 months, counted from the date of acquisition to the date of transfer. Where the holder of shares or securities is entitled to subscribe to right offered by the company/institution, and the assessee exercises his right to subscribe, the period of holding shall be reckoned from the date of allotment of such shares/securities. If such right is renounced by the assessee in favour of any other person, the period of holding shall be reckoned from the date of the offer of such right by the company/institution making such offer to the date of renouncement. In the case of renouncee in whose favour, such rights have been renounced, the period of holding shall be reckoned from the date of allotment of such shares/securities.

8.2 CAPITAL GAIN ON TRANSFER OF ASSETS WHERE THERE IS NO COST OF ACQUISITION AND OF RIGHT COUPONS FOR SHARES OF COMPANIES/SECURITIES ¹:

[Substitution of section 55(2)(a) w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer section 18 of the Finance Act, 1994]

(A) At present, for computing capital gain on transfer of self-generated capital asset being goodwill, the cost of acquisition thereof is to be taken at 'nil' [Refer item (g) on page 120]. For other self-generated assets for which there is no cost of acquisition, there is no liability to capital gain because of judicial ruling.

Under the amendment, in relation to assessment year 1995-96 and subsequent years, the cost of acquisition of tenancy rights, stage carriage permits (i.e., route permits) or lorry hours will be taken to be 'nil' u/s. 55(2)(a) as in the case of goodwill and charged to capital gain. In a case where such assets were purchased by the assessee, the purchase price will be taken as cost of acquisition.

(B) At present, the cost of acquisition of right coupons, where the rights are renounced, is the reduction in the price of shares after the issue of right shares.

1. The expression "securities" will have the meaning assigned to it in section 2(h) of the Securities Contracts (Regulation) Act, 1956. As per section 2(h) of the said Act, "securities" include shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate; Government securities, and rights or interest in securities.

Under the amendment, the cost of acquisition of right entitlement in the hands of original shareholder/security-holder is to be taken at 'nil' if such right is renounced, and the sale price of such right will be taken as capital gain. The period of holding for such right will be computed from the date of offer made by the company/institution to the date of renouncement [Refer Para 8.1 on page 37]. Generally, it will be a short-term capital gain. Where the right is not renounced by the original holder, the cost of acquisition of right shares/securities will be the amount actually paid for acquiring them. In the case of renouncee, where the right is purchased the cost of acquisition means the aggregate of the purchase price paid to the renouncer and the amount paid by him to the company/institution for acquiring such shares/securities.

8.3 REDUCTION IN FLAT RATE OF INCOME-TAX ON LONG-TERM CAPITAL GAIN:
[Amendment of section 112(1) w.e.f. from 1-4-1995 (assessment year 1995-96 and onwards). Refer section 31 of the Finance Act, 1994].

Changes made in the flat rate of income-tax on the long-term capital gain are as under:

FLAT RATE OF I.T. ON LONG-TERM CAPITAL GAIN

S.No.	Status of the assessee	Assessment years	
		1993-94/1994-95	1995-96
1.	Individual & HUF (being a resident)	20%	20%
2.	Individual & HUF (being a non-resident)	20%	20%
3.	Domestic company	40%	30%
4.	Foreign company	40%	20%
5.	Other than 1 to 4 above i.e., firm, AOP/BOI, etc., (being a resident)	30%	30%
6.	Other than 1 to 5 above i.e., firm, AOP/BOI, etc., (being a non-resident)	30%	20%

9. Amendment relating to clubbing of income of minor child:

9.1 INCOME OF HANDICAPPED MINOR CHILD OUTSIDE THE PURVIEW OF SECTION 64(1A):

[Amendment of section 64(1A) and omission of section 80V w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer sections 20 and 28 of the Finance Act, 1994]

At present, income accruing or arising to a minor child is to be included in the income of the parent except in certain cases [Refer sub-item (ix) on page 53].

Under the amendment, any income accruing or arising to a minor child suffering from any disability of the nature specified in section 80U is not to be included in income of any parent in relation to assessment year 1995-96 and subsequent years. Instead, income of such child will be assessed in the hands of such child. As a consequence, section 80V which was introduced by the Finance Act, 1993 with effect from assessment year 1994-95 (by which deduction u/s. 80U is to be allowed to the parent in whose hands such minor child's income is to be included) has been deleted by section 28 of the Finance Act, 1994, as redundant. The deduction u/s. 80U will henceforward be allowed directly to such minor child, subject to the conditions specified in section 80U (Refer page 204). Corresponding amendment has also been made to section 4 of the Wealth-tax Act. The net wealth of such minor child will not be included in the hands of any parent as hitherto.

10. Amendments to the provisions pertaining to deduction from gross total income:

10.1 Section 80E is newly inserted w.e.f. 1-4-1995 (assessment year 1995-96 and onwards) by section 23 of the Finance Act, 1994. New section provides that repayment of loan borrowed and interest thereon from any approved financial institution or banks or approved charitable institution for pursuing higher education will be allowed as deduction subject to the conditions that: (a) the assessee is an individual; (b) repayment/payment is made out of his income chargeable to tax; (c) maximum deduction allowable in the previous year of payment is Rs. 25,000; (d) deduction is allowable from initial assessment year, when repayment of loan/interest starts and for 7 successive assessment years or till the loan/interest is repaid in full, whichever is earlier; and (e) 'higher education' means full-time studies for any graduate or post-graduate course in engineering, medicine, management or for post-graduate course in applied sciences or pure sciences including mathematics and statistics.

10.2 Section 80G provides for deduction in respect of donation to certain funds, etc.:

(a) At present, donation made to specified funds qualifies for deduction @ 100% of the qualifying donation (Refer page 188). Under the amendment, from assessment year 1994-95 and onwards, donations made to the Maharashtra Chief Minister's Relief Fund during the period from 1-10-93 to 6-10-93 or to the Chief Minister's Earthquake Relief Fund, Maharashtra will also qualify for deduction @ 100% of the qualifying donations [Refer section 24(a) & (b) of the Finance Act, 1994].

(b) At present, under section 80G(3), if the aggregate amount of qualifying donations is less than Rs. 250, no deduction is allowable. Under the amendment, from assessment year 1994-95 and onwards, deduction will be allowed even where the aggregate amount of qualifying donations is less than Rs. 250 in a year [Refer section 24(c) of the Finance Act, 1994].

10.3 Section 80HHD provides for deduction to tour operators in respect of earnings in convertible foreign exchange [Refer page 195]. The amendment to this section provides that deduction to the first recipient of convertible foreign exchange will be limited to the payments made by the foreign tourist and retained by him and no deduction will be allowed in respect of amount which represents payments (i.e. in Indian currency received on conversion of foreign exchange) passed on to the other assesseees. This amendment takes effect from 1-4-1995 and will accordingly apply in relation to assessment year 1995-96 and subsequent years [Refer section 25 of the Finance Act, 1994].

10.4 Section 80HHE provides for deduction in respect of profits from export of computer software, etc. @ 100% in relation to assessment years 1991-92 to 1994-95. This deduction has been extended for one more year namely assessment year 1995-96 [Refer section 26 of the Finance Act, 1994].

10.5 Section 80-IA provides for deduction in respect of profits and gains from industrial undertakings etc.:

(a) At present, deduction @ the rate of 100% of the profits is allowed in the case of an industrial undertaking located in an industrially backward State specified in the Eighth Schedule and which begins to manufacture or produce articles or things not specified in the Eleventh Schedule on or after 1-4-1993 but before 1-4-1998. This 100% deduction is allowable for initial five assessment years and thereafter normal deduction @ 25%/30% is allowable for remaining assessment years. Under the amendment, w.e.f. 1-4-1994, the deduction as stated aforesaid will also be allowed to such units even if they manufacture or produce articles or things specified in the Eleventh Schedule [Refer section 27(a)(i) of the Finance Act, 1994].

(b) At present, deduction @ 100% of profits is allowed to an industrial undertaking referred to in (a) above for initial five assessment years. Under the amendment, from assessment year 1995-96 and onwards, deduction @ 100% of the profits will be allowed also to an industrial undertaking located in the notified industrially backward district subject to the condition that it begins to manufacture or produce articles or things not being any articles or things specified in the Eleventh Schedule or to operate its cold storage plant(s) on or after 1-10-1994 but before 31-3-1999. This 100% deduction is allowable for initial five assessment years and thereafter normal deduction @ 25%/30% is allowable for remaining assessment years as at present [Refer section 27(a)(ii) & 27(b) of the Finance Act, 1994].

11. Amendments to provisions relating to rebate of (deduction from) income-tax :

11.1 TAX REBATE ON LIFE INSURANCE PREMIA, CONTRIBUTION TO PROVIDENT FUND, ETC.:

[Amendment of section 88(2) & (4) w.e.f. 1-4-1991/1-4-1995 (assessment year 1991-92/1995-96, and onwards). Refer section 29 of the Finance Act, 1994]

(A) At present, in the case of an individual, rebate of (deduction from) income-tax is allowed in respect of certain specified savings made in his personal name and in the name of his minor child. For contribution to Public Provident Fund A/c., rebate is allowed if the contributions are made in his personal name and in the name of his minor child of whom he is a guardian. For contribution to unit-linked insurance plans of UTI/LIC Mutual Fund notified u/s. 10(23D), rebate is allowed if contributions are made by an individual in his personal name.

Under the amendment, from assessment year 1991-92 and onwards, contributions made in the Public Provident Fund A/c., unit-linked insurance plans of UTI/LIC Mutual Fund, rebate is allowable also in respect of contributions made by the individual in his personal name or in the name of his/her spouse or any child of such individual. In the case of a HUF, contribution to the unit-linked insurance plans of UTI/LIC Mutual Fund, rebate is allowable in relation to assessment year 1991-92 and subsequent years where such contributions are made in the name of any member thereof [Refer section 29 of the Finance Act, 1994].

(B) Under the amendment of section 88(2)(xiic), from assessment year 1995-96 and onwards, any contribution by an individual to a notified pension fund set up by the Unit Trust of India will also qualify for rebate of (deduction from) income-tax @ 20% of such contribution subject to aggregate limit of rebate specified in section 88(6) [Refer section 29(1)(iii) of the Finance Act, 1994].

11.2 TAX REBATE TO SENIOR CITIZENS ENHANCED:

[Amendment of section 88B w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer section 30 of the Finance Act, 1994.]

At present, in the case of a resident individual, who has attained age of 65 years at any time during the previous year and who has gross total income not exceeding Rs. 75,000 is entitled to an additional tax rebate of 20% of the tax payable by him.

Under the amendment, from assessment year 1995-96 and onwards, in the case of such an individual whose gross total income does not exceed Rs. 1,00,000 (as against Rs. 75,000) is entitled to an additional tax rebate of 40% (as against 20%) of the tax payable by him.

12. Uniform rate of income-tax for non-resident on certain incomes:
[Amendment of sections 44D, 57, 115A & 196A w.e.f. 1-4-1995/1-6-1994 (assessment years 1995-96 and onwards). Refer sections 17, 19, 32 & 41 of the Finance Act, 1994]

At present, sections 44D, 57 and 115A deal with computation of certain incomes of a foreign company, and tax thereon. The amendment seeks to rationalise these provisions. The salient features are:

(A) The income of non-resident (not being a company) or a foreign company, includes income by way of:

- (1) dividends;
- (2) interest received from Government or an Indian concern on monies borrowed by either of them in foreign currency; and
- (3) income received in respect of units of a Mutual Fund specified u/s. 10(23D) or of Unit Trust of India, purchased in foreign currency,

shall be chargeable to tax at the rate of 20% on gross basis, that is, without allowing any expenditure or allowance under any provisions of the Act from the above income. However, where gross total income includes income other than those specified in (1) to (3) above, deduction under Chapter VIA will be allowed from the gross total income as reduced by the above income [i.e., in (1) to (3)] and the said income will be charged to tax at the rates prescribed in the Finance Act of the relevant years.

(B) Where the total income consists only of the income referred to in (1) to (3) above, such an assessee need not file return of income, provided tax has been deducted at source from such income.

(C) Where the total income of a foreign company includes royalty and fees for technical services, from specified sources in India, such income will be chargeable to tax at the rate of 30%. Other income, if any, will be computed and charged to tax as per the provisions of the Income-tax Act and the Finance Act of the relevant years.

Consequential amendments have been made to sections 44D, 57 and 197A in view of the amendment to section 115A. The above amendments except amendment of section 196A will apply in relation to assessment year 1995-96 and subsequent years. Amendment of section 196A will come into force w.e.f. 1-6-1994.

13. Amendments relating to assessment procedure:

13.1 DUE DATES FOR FURNISHING RETURN OF INCOME CHANGED IN THE CASE OF COMPANIES :

[Amendment of Explanation to section 139(1) w.e.f. 1-4-1994 (assessment year 1994-95 and onwards). Refer section 36 of the Finance Act, 1994]

At present, upto assessment year 1993-94, due date for furnishing return of income, in the case of companies, is 31st December.

Under the amendment, w.e.f. 1-4-1994 (assessment year 1994-95 and onwards), the said due date for furnishing return of income is 30th November.

Consequential amendment has also been made to section 44AB, which deals with compulsory audit of accounts of certain persons carrying on business or profession. From assessment year 1994-95 and onwards, the said audits have got to be completed before 30th November in the case of a company as against 31st December as at present [Refer section 50(a) of the Finance Act, 1994].

13.2 DIRECT APPEAL AGAINST INTIMATION U/S. 143(1)(a)/143(1B) :

[Amendment of sections 143, 154 & 246 w.e.f. 1-6-1994. Refer sections 37, 38 & 46 of the Finance Act, 1994]

At present, an assessee objecting to an intimation u/s. 143(1)(a)/143(1B) can either file a rectification application u/s. 154 or file a revision petition u/s. 264 to the Commissioner.

Under the amendment, which takes effect from 1-6-1994 and accordingly applies to all intimations received on or after 1-6-1994, assessee can file a direct appeal against the intimation to the Deputy Commissioner (Appeals)/Commissioner (Appeals), in addition to the aforesaid revision/rectification application [Vide amendment of sections 143 & 246]. The existing time limit of 3 months for passing rectification order by the Assessing Officer has been omitted [Vide amendment of section 154]. Consequently, the Assessing Officer can rectify the intimation at any time within four years from the end of the financial year in which the order sought to be amended was passed.

13.3 ASSESSMENT OF AOP/BOI CONSISTING OF SPOUSES GOVERNED BY PORTUGUESE CIVIL CODE :

[Insertion of new section 5A w.e.f. 1-4-1963 (assessment year 1963-64 and onwards). Refer section 4 of the Finance Act, 1994]

At present, except salary income all other incomes arising to a husband and wife governed by the system of community of property under the Portuguese Civil Code of 1860 in force in the Goa, Dadra and Nagar Haveli and Daman and Diu, is apportioned equally between husband and wife and assessed separately in their respective hands after giving reliefs/rebates, etc., to each one of them. The amendment has inserted a new section 5A to give statutory recognition to the aforesaid scheme of assessment of spouses governed by the Portuguese Civil Code of 1860. The amendment takes retrospective effect from assessment year 1963-64 and onwards. Consequential amendments have been carried out to various sections dealing with the aforesaid class of assessee [Refer section 50 of the Finance Act, 1994].

14. Amendments relating to payment of advance tax during the financial year ending on 31-3-1995 and subsequent years:**14.1 DUE DATES OF PAYMENT OF ADVANCE TAX FOR COMPANIES CHANGED :**

[Substitution of section 211(1) w.e.f. 1-4-1994 (assessment year 1995-96 and onwards). Refer section 44 of the Finance Act, 1994]

At present, both for company and non-corporate assessee due dates for paying advance tax instalments are the same namely on or before 15th September, 15th December and 15th March. The quantum of each instalment is also the same namely 30%, 60% and 100% of the tax payable on the returned income, in three instalments, each time payment made in earlier instalment or instalments being taken into account to arrive at the sum to be paid.

Under the amendment, the due dates as well as quantum of instalment have been changed in the case of a company assessee, in relation to advance tax payable during the financial year ending on 31-3-1995 and subsequent years as under:

<i>Due date of instalment</i>	<i>Amount payable</i>
1. On or before 15th June ..	Not less than 15% of such advance tax.
2. On or before 15th September ..	Not less than 45% of such advance tax, as reduced by the amount, if any, paid in the earlier instalment.
3. On or before 15th December ..	Not less than 75% of such advance tax, as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.
4. On or before 15th March ..	The whole amount of such advance tax as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.

The due dates and the quantum of advance tax payable by non-corporate assessee remain unchanged as at present.

14.2 AMENDMENT TO PROVISIONS RELATING TO INTEREST FOR DEFERMENT OF ADVANCE TAX :

[Amendment of section 234C(1) w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer section 45 of the Finance Act, 1994]

(A) At present, advance tax paid upto 31st March is taken into account, even though the due date is 15th March and in such a case no interest is chargeable for deferment of advance tax u/s. 234C. The amendment which takes effect from 1-4-1995 (assessment year 1995-96 and onwards), provides that interest shall be leviable u/s. 234C in respect of both company and non-corporate assessee. In such a case, if the advance tax paid by the assessee on his current income on or before 15th March is less than tax due on the returned income, then, the assessee is liable to pay simple interest at 1½% on the amount of the shortfall from the tax due on returned income.

(B) At present, interest for deferment of advance tax, payable by the company, is as per the notes appearing in sub-item (ii) on page 282. Under the amendment, w.e.f. 1-4-1995 (assessment year 1995-96 and onwards), in the case of a company which is liable to pay advance tax u/s. 208 has failed to pay such tax or the advance tax paid by the company on its current income on or before 15th June or on or before 15th September or on or before 15th December is less than 15% or 45% or 75% respectively of the "tax due on the returned income", then, the company shall be liable to pay simple interest (which is mandatory) at the rate of 1½% per month for a period of three months on the amount of the shortfall from 15% or 45% or 75%, as the case may be, of the "tax due on the returned income". However, if the advance paid by the company on its current income on or before 15th June or 15th September, is not less than 12% or, as the case may be, 36% of the "tax due on the returned income", then, the company shall not be liable to pay any interest u/s. 234C on the amount of shortfall on those dates. As regards, instalment payable on or before 15th March, interest u/s. 234C will be leviable as discussed in para (A) above.

15. Amendment relating to waiver of penalty, etc., in certain cases :

[Insertion of new sub-section (7) in section 273A w.e.f. 1-6-1994. Refer section 48 of the Finance Act, 1994]

At present, the reduction or waiver of penalty u/s. 271(1)(i) or 271(1)(iii) or 273 or interest u/s. 139(8) or 215 or 217 in relation to assessment year 1988-89 and earlier years is to be done by the Commissioner or the Chief Commissioner. Where the penalty to be imposed exceeds the monetary limits specified in section 273A, the prior approval of the Board is necessary.

Under the amendment, w.e.f. 1-6-1994, the power to reduce or waive the penalty or interest is to be exercised only by the Commissioner. Where the amount of income/penalty exceeds the monetary limits specified in section 273A, an order for reducing or waiving the amount of penalty shall be made by the Commissioner with previous approval of the Chief Commissioner or Director-General. Thus, the previous approval of the Board will not be required in the cases already pending before the Board and the said cases will stand transferred to the Chief Commissioner and Director-General.

III. IMPORTANT AMENDMENTS UNDER THE WEALTH-TAX ACT, 1957:

1. Amendment to the definition of the term "assets" :

[Amendment of clause (b) of the Explanation to section 2(ea) w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer section 51(i) of the Finance Act, 1994]

At present, land situated in urban area held by the assessee as stock-in-trade for a period of 3 years from the date of its acquisition by him, will not be treated as an asset and hence not chargeable to wealth-tax. Under the amendment, w.e.f. 1-4-1995 (assessment year 1995-96 and onwards), the said period has been increased from 3 years to 5 years.

2. Clubbing of net wealth of disabled minor child with wealth of parent dispensed with :

[Amendment of section 4(1)(a)(ii) w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer section 52 of the Finance Act, 1994]

At present, the net wealth of minor child including disabled minor child is to be included in the net wealth of the parent. Under the amendment, w.e.f. 1-4-1995 (assessment year 1995-96 and onwards), the net wealth of a disabled minor child in terms of section 80U of the Income-tax Act is not to be included in the net wealth of any parent. Such minor child's wealth will be assessed in the hands of such child. This amendment is corresponding to amendment of section 64(1A) of the Income-tax Act [Refer para 9.1 on page 38].

IV. IMPORTANT AMENDMENT UNDER THE GIFT-TAX ACT, 1958:

1. Ceiling on exemption for gifts on occasion of the the marriage of dependent relative increased :

[Amendment of section 5(1)(vii) w.e.f. 1-4-1995 (assessment year 1995-96 and onwards). Refer section 55 of the Finance Act, 1994]

At present, gifts made on the occasion of the marriage of dependent relative is exempt upto Rs. 30,000. Under the amendment, from assessment year 1995-96 and onwards, the said exemption limit has been increased from Rs. 30,000 to Rs. 1,00,000.

[Continued from cover page No. 2]

11. In the case of companies, advance tax is to be paid in four instalments as against three instalments as in the case of non-corporate assessee [Refer Para 14.1 on page 41]. Shortfall in payment of advance tax on or before 15th March liable to interest u/s. 234C in case of all assessee [Refer Para 14.2(A) on page 41].

In relation to other assessment year & coming into force on certain dates:

1. W.e.f. 1-4-1963, income of persons residing in Goa, Dadra and Nagar Haveli and Daman and Diu governed by the Portuguese Civil Code of 1860 — income from all sources (except salary) to be apportioned equally between husband and wife and to be assessed separately and not as AOP/BOI [Refer Para 13.3 on page 41].

2. From assessment year 1991-92 and onwards, contributions made, by an individual, in the name of spouse/child of the individual, in the Public Provident Fund A/c, unit-linked insurance plan of UTI/LIC Mutual Fund, eligible for rebate of income-tax u/s. 88 [Refer Para 11.1(A) on page 39].

3. From assessment year 1993-94 and onwards, expenditure incurred for medical treatment of employee/his family members in approved hospitals exempt even where the employer reimburses such expenses. The exemption is subject to the condition that employee attaches with return of income a certificate from the hospital specifying the prescribed disease or ailment for which medical treatment was required and also the receipt for the amount paid to the hospital [Refer Para 5.1 on page 34].

4. From assessment year 1994-95 and onwards, estimated income method for assessee engaged in the business of: (a) civil construction, etc.; and (b) plying, hiring or leasing goods carriages, prescribed under newly inserted sections 44AD & 44AE [Refer Paras 7.4 & 7.5 on page 36].

5. From assessment year 1994-95 and onwards, deduction in respect of donations to certain funds, etc., u/s. 80G will be allowed even where the aggregate amount of qualifying donations is less than Rs. 250 in a year [Refer Para 10.2(b) on page 39].

6. From assessment year 1994-95 and onwards in the case of a company, due date for filing return of income/wealth which is due by 31st December changed to 30th November [Refer page 151 & 256 and also Para 13.1 on page 40].

7. Assessee can file direct appeal against intimation received u/s. 143(1)/143(1B) on or after 1-6-1994 [Refer Para 13.2 on page 40].

WEALTH-TAX

From assessment year 1995-96: (a) urban land held by the assessee as stock-in-trade for a period of 5 (as against 3) years from the date of its acquisition by him, not liable to wealth-tax [Refer Para 1 above]; and (b) wealth of physically handicapped minor child not to be clubbed with wealth of any parent [Refer Para 2 above].

GIFT-TAX

From assessment year 1995-96, ceiling on exemption for gifts on occasion of the marriage of dependant relative increased from Rs. 30,000 to Rs. 1,00,000 [Refer Para 1 above].

EXPLANATORY NOTES ON SALIENT FEATURES OF THE INCOME-TAX ACT:**I. GENERAL****[From assessment year 1991-92 and onwards]**

The Indian Income-tax Act, 1922 which was in force upto and including the assessment year 1961-62 was repealed with effect from 1st April, 1962 and in its place a new Act called the Income-tax Act, 1961 was introduced which is the operative Act for and from the assessment year 1962-63. Since its introduction, the new Act has undergone innumerable changes by way of amendments, substitutions, deletions and insertions of various provisions so much so that it is difficult to keep track of the frequent changes made and the years from which these have become effective. Salient features of the Act are explained in a very simple language so as to make them understandable in respect of assessment year 1991-92 and onwards.

(i) Assessment

The Income-tax Act is a machinery for computing the total income of the previous year from various sources as classified in section 14. Such computation or assessment is made after allowing various exclusions, exemptions and deductions as provided in the Act. The Income-tax Act does not, however, prescribe the rates at which tax is to be charged. Section 4 of the Income-tax Act lays down that income-tax shall be charged for any assessment year in respect of the total income of the previous year computed under the Income-tax Act at the rates prescribed by the Finance Act which is passed every year by the Parliament. Thus, while the total income is computed under the Income-tax Act which is a permanent enactment, the tax payable on such income has to be worked out at the rates laid down in the Finance Act which is an annual enactment. An assessment, therefore, comprises of two stages (1) computation of total income and (2) determination of the tax payable thereon. When both these stages are completed, an assessment is said to have been made.

As the Finance Bill is usually passed by the Parliament and receives the assent of the President long after 1st April, the question arises "what would be the effective rates at which tax has to be charged for the current assessment year during the pendency of the bill?" The answer to this question is provided in section 294 of the Income-tax Act which lays down that the effective rates in that case would be the rates in force in the preceding assessment year or the rates proposed in the Finance Bill in respect of the current assessment year, whichever is more favourable to the assessee.

To sum up, the tax in relation to the income of any assessment year is to be charged with reference to the rates enacted by the Finance Act of that year. To illustrate, if the assessments in respect of the earlier assessment years 1992-93 and 1993-94 are completed during the financial year 1994-95, the rates at which tax is to be charged for the said years would be the rates laid down under Part I of the First Schedule to the Finance Act, 1992 and Part I of the First Schedule to the Finance Act, 1993, respectively.

(ii) Assessment year**[Section 2(9)]**

The question then arises as to what is an assessment year? In the Income-tax Act, the Income-tax year is described as assessment year, that is, the year in which the income of the previous year which ended before the commencement of the assessment year, is to be assessed. The assessment year comprises of a period of twelve months corresponding to a financial year, commencing from 1st April and ending on 31st March. Thus, the assessment year 1994-95 commenced from 1st April, 1994 and would end on 31st March, 1995.

(iii) Previous year**[Section 3]****Uniform previous year ending on 31st March:**

There will be only one previous year for all assessee ending on 31st March for all sources of income. In other words the financial year immediately preceding the assessment year shall be the uniform previous year. In the case of newly set up business or profession during the financial year, the previous year will end on 31st March, even though the period comprised in the previous year may be less than 12 months. For example, an assessee has started a new business on 1-7-1993. His previous year for the assessment year 1994-95 would be of 9 months beginning from 1-7-1993 and ending on 31-3-1994 and for the subsequent assessment years his previous year will consist of 12 months beginning with 1st April and ending on 31st March [Proviso to section 3(1)].

(iv) Assessee**[Section 2(7)]**

The assessee is a person by whom any tax or any other sum of money (such as interest, penalty) is payable under the Income-tax Act or in respect of whom any proceeding under the Act has been taken for the assessment of his income or loss or of the income or loss of any other person in respect of which he is assessable or of the amount of refund due to him or to such other person. It also includes every person deemed to be an assessee under Chapter XV of the Income-tax Act, 1961.

Under section 2(31) of the Income-tax Act, assessee are divided into the following categories:

- (i) Individual;
- (ii) Hindu undivided family which consists of all persons lineally descended from a common male ancestor and is assessable in respect of income derived from the joint family corpus not being the income earned by its individual members in their individual and personal capacity;
- (iii) Company: As defined under section 2(17) (e.g. any Indian company);
- (iv) Firm: [A partnership of two or more persons (but not exceeding 20 persons) carrying on a business or profession constituted under the Indian Partnership Act, 1932];
- (v) Association of persons or a body of individuals (i.e., combination of persons formed for promoting a joint venture or joint enterprise, executors of an estate, trustees of a trust, etc.);
- (vi) Local authority (e.g. Municipality, Local Boards, etc.); and
- (vii) Every artificial juridical person, not falling in any of the preceding categories (i.e., a Hindu deity).

(v) Residence in India

(Section 6)

The income liable to tax in the hands of an assessee is determined on the basis of residential status. For this purpose, the assessee are divided into the following two categories:

- (i) Resident in India, and
- (ii) Non-resident.

Individuals and Hindu undivided families who are resident in India are again classified as:

- (a) Ordinarily resident, and
- (b) Not ordinarily resident.

1. TESTS OF RESIDENCE IN RESPECT OF "INDIVIDUALS":

ASSESSMENT YEAR 1991-92 & ONWARDS:

Section 6 of the Income-tax Act, deals with residence in India. The residential status of an individual would be determined as under:

(1) An individual will be treated as resident in India in any previous year if he fulfills any of the following two conditions:

- (a) he is in India in that year for a period or periods amounting in all to 182 days or more; or
- (b) having within the four years preceding that year been in India for a period or periods amounting in all to 365 days or more and has been in India for 60 days or more in that year.

(2) Under Explanation to section 6(1) of the Income-tax Act, the residential status of an individual who is rendering service outside India and who visits India during leave or vacation in any previous year or an individual who is outside India and who comes on a visit to India in any previous year will be determined as under:

(a) An *Indian citizen* who leaves India in any previous year for the purposes of employment outside India or as a crew member of an Indian ship¹ would be treated as resident in India if the period of his stay in India in that year amounts to 182 days or more [instead of 60 days as stated in 1(b) above]. Conversely, if the period of his stay in India is less than 182 days, he will be treated as non-resident for that year and his foreign income would not attract tax liability.

(b) An *Indian citizen or a person of Indian origin*² who resides outside India and who comes on a visit to India in any previous year will be treated as resident in India—

Upto assessment year 1994-95:

if his stay in India in that year amounts to 150 days or more [instead of 60 days as stated in 1(b) above]. Conversely, he will be treated as non-resident if the period of his stay in India in that year is less than 150 days;

From assessment year 1995-96 and onwards:

if his stay in India in that year amounts to 182 days or more [instead of 60 days as stated in 1(b) above]. Conversely, he will be treated as non-resident if the period of his stay in India in that year is less than 182 days.

(3) An individual (whether Indian citizen or not) who is outside India and who comes on a visit to India in any previous year will be treated as "non-resident" in India if his stay in India in that previous year is less than 182 days subject to the condition that during the preceding four previous years his stay in India does not amount to 365 days or more.

1. W.e.f. 1-4-1990, such crew members would be treated as "non-resident" in India if they are on board such ship outside the territorial waters of India for 182 days or more during any year — Vide Circular No. 586 dt. 28-11-1990 [186 ITR (St.) 167].

2. A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India [Explanation to section 115C(e)].

- EXAMPLES:** (1) Mr. A who was abroad, returned to India on 1-7-1993 and again left India on 10-1-1994. Since his stay in India during the previous year exceeds 181 days, he will be regarded as "resident" for the assessment year 1994-95 [Section 6(1)(a)]. However, if his stay in India during the preceding four previous years (1989-90 to 1992-93) was less than 365 days and his stay in India during the previous year 1993-94 was less than 182 days, he will be regarded as "non-resident" for the financial year ending on 31-3-1994.
- (2) Mr. A who is an Indian citizen or a person of Indian origin came on a visit to India on 1-7-1993. He left India on 15-12-1993 i.e. after a stay of more than 150 days. Prior to 1-4-1993, he was in India for over 365 days during the previous years 1989-90 to 1992-93. He will be regarded as "resident" for the assessment year 1994-95 as his stay in India during the previous year 1993-94 is of more than 150 days [Section 6(1)(c) read with Explanation].
- (3) Mr. A who is an Indian citizen or a person of Indian origin, returned to India on 1-7-1993 on a visit. He left India on 25-11-1993 i.e. after a stay of 148 days. Prior to 1-4-1993, he was in India for over 365 days during the preceding four previous years 1989-90 to 1992-93. In this example, Mr. A will be regarded as "non-resident" for the assessment year 1994-95 as his stay in India during the previous year 1993-94 was less than 150 days [Section 6(1)(c) read with Explanation].
- (4) Mr. A who is an Indian citizen leaves India on 25-9-1993, as a member of the crew of an Indian ship or for the purposes of employment outside India and comes to India on a visit after 1st April, 1994. He was in India for over 365 days during the preceding four previous years 1989-90 to 1992-93. For the assessment year 1994-95, Mr. A will be regarded as "non-resident" despite the fact that he was in India for a period of more than 365 days in the preceding four previous years and was in India for more than 60 days but less than 182 days during the previous year 1993-94 [Section 6(1)(c) read with Explanation].

ORDINARILY RESIDENT AND NOT ORDINARILY RESIDENT

An Individual who fulfils any of the conditions mentioned in section 6(1) is treated as resident in India. But in order to become an "ordinarily resident" also, he must satisfy the following two conditions as laid down under section 6(6) of the Income-tax Act, 1961:

- (i) He should have been resident in India in nine out of the ten previous years preceding the previous year in which he is resident within the meaning of section 6(1); and
- (ii) He should have been in India for a period or periods amounting in all to 730 days (i.e. 2 years) or more during the seven years preceding that previous year.

If he does not fulfill any of the above conditions, he will be treated as "not ordinarily resident" as per example given hereunder:

EXAMPLE: Mr. A, who is a citizen of India, left India on 25th April, 1990 and came back on 1st July, 1993. During the period from 25th April, 1990 to 31st March, 1993, he visited India every year but his stay in India did not exceed 149 days during financial years 1990-91 to 1992-93. During the period from 1st April, 1993 to 30th June, 1993, he did not visit India. From 1st July, 1993, he settled in India and was staying in India. His status for various assessment years will be as under:

Financial years	Assessment years	Status
1990-91 to 1992-93	1991-92 to 1993-94	Non-resident ³
1993-94 to 2001-2002	1994-95 to 2002-2003	Resident but not ordinarily resident ⁴
2002-2003 & onwards	2003-2004 & onwards	Resident and ordinarily resident ⁵

2. RESIDENTIAL STATUS OF H.U.F., FIRM & OTHER ASSOCIATION OF PERSONS:

A Hindu undivided family, firm or other association of persons is said to be resident in India in any previous year except where during that year the control and management of its affairs is situated wholly outside India.

3. RESIDENTIAL STATUS OF A COMPANY:

A company is said to be resident in India in any previous year if it satisfies any of the following two conditions:

- (i) it is an Indian company, or
- (ii) during that year, the control and management of its affairs is situated wholly in India.

3. Since Mr. A has stayed in India only for 25 days during the financial year ending on 31st March, 1991, his status for the assessment year 1991-92 will be "non-resident" as he does not fulfill either of the two conditions mentioned in section 6(1). During the financial years 1991-92 & 1992-93 (assessment years 1992-93 & 1993-94) he visited India for less than 150 days, in each financial year and as such his status for the said assessment years will also be non-resident.

4. For the financial year ending on 31-3-1994 (assessment year 1994-95) his status will be resident as he has stayed in India for over 182 days. However, he does not fulfill both the conditions laid down under section 6(6), as referred to above. In the circumstances, his status for the assessment years 1994-95 to 2002-2003 will be "Resident but not ordinarily resident" and as such, income which accrues or arises to him outside India is not liable to be included in the total income for the assessment years 1994-95 to 2002-2003.

5. For the assessment year 2003-2004, the status of Mr. A will be resident and ordinarily resident as he fulfils both the conditions laid down under section 6(6) of the Income-tax Act.

4. NON-RESIDENTS:

(1) An individual who does not satisfy both the conditions as mentioned on page 44 for residence in India as laid down in section 6(1) will be treated as "non-resident" in that previous year.

EXAMPLE: Mr. A, who is neither a citizen of India nor a person of Indian origin, was in India for over 365 days during the financial years from 1989-90 to 1992-93. However, he did not visit India during the financial year 1993-94 except for 59 days. In this case, Mr. A will be regarded as "non-resident" for the assessment year 1994-95, as his stay in India during the financial year 1993-94 was less than 60 days.

(2) A Hindu undivided family, firm or other association of persons will be treated as "non-resident" in India in any previous year if the control and management of its affairs is situated wholly outside India during that year.

(3) A company will be treated as "non-resident" in India in any previous year if it is not an Indian company and also if the control and management of its affairs is not situated wholly in India in that year.

It may be noted that under the Income-tax Act, the status of "not ordinarily resident" is accorded only to "Individuals" and "Hindu undivided families" and not to any other categories of assessee. Accordingly, remaining categories of assessee are classified either as "resident" (which means "ordinarily resident") or "non-resident", as the case may be.

5. SCOPE OF INCOME LIABLE TO TAX:

(Sections 5 & 9)

(1) Persons who are resident and ordinarily resident are chargeable to tax on all income:

- (a) which is received or is deemed to be received in India;
- (b) which accrues or arises or is deemed to accrue or arise in India; and
- (c) which accrues or arises outside India.

(2) The liability of the persons who are resident but not ordinarily resident is the same as in the case of persons who are resident and ordinarily resident except that the income which accrues or arises outside India is not includible in their total income unless it is derived from a business controlled in or a profession set up in India.

(3) Non-residents are liable in respect of income received or deemed to be received in India or which accrues or arises or is deemed to accrue or arise in India. They are not at all liable in respect of income accruing or arising outside India even if it is remitted to India.

However, no income shall be deemed to accrue or arise in India to non-resident news agencies or film makers, where their operations in India are confined to gathering and transmitting news outside India or shooting films in India.

The following incomes which are payable outside India, are deemed to arise in India —

- (a) dividend paid by an Indian company;
- (b) interest payable on money borrowed and brought into India; and
- (c) royalty and technical service fees where the royalty is payable in respect of any right or fees are payable in respect of technical services used for business or profession in India. Royalty and technical service fees will be exempt, if payable: (1) through an agreement made before 1-4-1976 which is approved by the Central Government & (2) w.e.f. 1-4-1991, also in respect of computer software supplied by a non-resident manufacturer along with a computer or computer based equipment under approved specified scheme of the Government of India.

It may be noted that special provisions are applicable in respect of the taxability of income of non-resident Indian citizens and foreign nationals of Indian origin derived from specified foreign exchange assets as discussed at length in item (vi) on page 47.

(4) Remittances out of foreign income received in India are entirely exempt from income-tax in the case of "resident" as well as "non-resident" assessee. However, the foreign income even though not remitted to India is liable to be charged to tax on accrual basis in the case of every ordinarily resident assessee but in the case of not ordinarily resident assessee such foreign income is chargeable on accrual basis if it arises from business controlled in or a profession set up in India as stated in (2) above.

ILLUSTRATION: Mr. X has income from the following sources:—

(a) Income from house property in India	Rs. 15,000
(b) Income from proprietary business in India	Rs. 20,000
(c) Dividend on shares in Indian companies	Rs. 15,000
Income in India carried over	Rs. 50,000

	Income in India brought over	Rs. 50,000
(d) Foreign income:		
(i) Interest on deposits with banks situated outside India (not accrued in India)	Rs. 7,000	
(ii) Dividend on shares in foreign companies (not accrued in India)	Rs. 3,000	
	Foreign income	Rs. 10,000
	Gross total income	Rs. 60,000

If Mr. X is "resident and ordinarily resident in India", his gross total income under the Income-tax Act will be taken at Rs. 60,000. However, he will be entitled to relief in respect of double taxation under section 90 or section 91 of the Act in respect of foreign income of Rs. 10,000 which has suffered tax in India as well as in foreign country.

If Mr. X is "resident but not ordinarily resident in India", his gross total income will be taken at Rs. 50,000 and the foreign income of Rs. 10,000 will not be included in his total income as it does not arise from a business controlled in or profession set up in India.

If Mr. X is "non-resident in India", he will be assessable only on his Indian income of Rs. 50,000 and his foreign income from whatever source will not be included in his gross total income.

6. PERSON RESIDENT OUTSIDE INDIA:

The interest income from Non-Resident (External) Account in any bank in India is exempt under section 10(4)(ii) in the case of an individual who is a "person resident outside India" [as defined in 2(q)⁶ of the Foreign Exchange Regulation Act] or w.e.f. 1-4-1991, is a person who has been permitted by the Reserve Bank of India to maintain the aforesaid Account.

A citizen of India who stays out of India for employment or business, or a citizen of India who stays outside India for any other purpose, with an intention to stay outside India for an uncertain period, will be considered "person resident outside India".

(vi) Special provisions relating to certain income of non-resident Indian citizen and foreign nationals of Indian origin:

[Section 115-C to 115-I]

The salient features of the special provisions are as under:

(i) The income derived by non-resident Indian⁷ from any foreign exchange asset is called "Investment income". For this purpose, "foreign exchange assets" means any specified asset acquired or purchased with, or subscribed to in, convertible foreign exchange⁸. The assets so specified under section 115-C (f) are:

- (1) shares in an Indian company;
- (2) debentures issued by a public limited Indian company;
- (3) deposits with a public limited Indian company;
- (4) securities of the Central Government; and
- (5) such other assets as may be notified by the Central Government.

(ii) In computing the "investment income" of a non-resident Indian, no deduction will be allowed:

- (a) in respect of any expenditure or allowance under any provision of the Income-tax Act,
- (b) in respect of deductions permissible under Chapter VIA, and
- (c) in respect of deduction available under old section 48(2), upto assessment year 1992-93.

From assessment year 1993-94 and onwards, the provisions of the 2nd proviso to substituted section 48 [relating to "adjusted cost" (refer page 121)] will not apply.

However, where the non-resident Indian elects to furnish return of income to the Assessing Officer for any assessment year, the deductions permissible under the provisions of Income-tax Act will be allowed for that year as explained in example No. (1) to (3) on pp. 49-50 [Section 115-D].

6. Under Section 2(q) of the Foreign Exchange Regulation Act, 1973: "person resident outside India" means a person who is not resident in India. It may be noted that "person resident in India" is elaborately defined under section 2(p) of the said Act.

7. "Non-resident Indian" means an individual, being a citizen of India or a person of Indian origin who is not a "resident".

A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.

8. "Convertible foreign exchange" means foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purposes of the Foreign Exchange Regulation Act, 1973, and any rules made thereunder.

(iii) Where the total income of a non-resident Indian consists only of "investment income" and/or income by way of "long-term capital gains"⁹ arising from the transfer of any foreign exchange asset, such income shall be charged to tax at a flat rate of 20% by way of income-tax¹⁰ [Section 115-E(1)].

W.e.f. 1-4-1990 (assessment year 1990-91), the proviso to section 48(1)(a)/48¹¹ provides a separate method of computation of capital gains (whether short-term or long-term) arising from transfer of shares or debentures of an Indian company held by a non-resident Indian. The cost of acquisition, expenditure incurred in connection with such transfer and the full value of consideration received or accruing as a result of such transfer should be converted into the same foreign currency as was initially utilised for the purchase of the said shares or debentures. The capital gains should be computed in that foreign currency and then such gains should be reconverted into Indian currency. This manner of computation of capital gains will be applicable in respect of capital gains accruing or arising from every reinvestment thereafter in, and sale of, shares or debentures of, an Indian company [Proviso to section 48(1)(a)/1st proviso to substituted section 48¹¹]. Refer example No. 4 on page 50.

(iv) The income from foreign exchange assets (called investment income) and long-term capital gains arising on transfer of any such asset will constitute a separate block of income and charged to income-tax at a flat rate of 20% by way of income-tax¹⁰. If the non-resident Indian has any other income in India, such other income will constitute as an altogether separate block of income and charged to tax as if such other income were the total income. The aggregate of income-tax¹⁰ so calculated in respect of the said two blocks of income will be the tax payable for the relevant assessment year [Section 115-E(2)]. Refer examples on pp. 49-50.

(v) The long-term capital gains arising from the transfer of any foreign exchange asset will be exempt from tax to the extent the net proceeds realised on transfer are re-invested or re-deposited within six months after the date of such transfer in any asset (hereafter referred to as the new asset) mentioned hereunder:

(a) Specified assets [as mentioned in para (i) on page 47]; or

(b) Savings certificates¹² notified under section 10(4B).

However, where the new asset is transferred or converted (otherwise than by transfer) into money within a period of three years of its acquisition, the capital gains arising from the transfer of the original asset which has been exempted from tax shall be deemed to be the long-term capital gains of the previous year in which the new asset is transferred or converted into money [Section 115-F].

(vi) A non-resident Indian has the option to claim that in respect to any particular assessment year the special provisions relating to taxation of "investment income" and "long-term capital gains" under which the tax on such income is to be charged at a flat rate should not apply to him. Such option can be exercised by furnishing his return of income for that assessment year u/s. 139 declaring therein that the flat rate should not apply to him. In cases where such option is exercised in respect of any assessment year, the whole of the total income of that assessment year will be charged to tax under the general provisions of the Income-tax Act [Section 115-I].

(vii) A non-resident Indian who becomes a resident in any subsequent year has the option to claim that the special provisions of Chapter XII-A shall continue to apply to him in relation to income derived from foreign exchange asset (other than shares in Indian companies) for that assessment year and for every subsequent assessment year until the transfer or conversion of such assets into money. Such option can be exercised by furnishing a declaration in writing to that effect along with his return of income for that assessment year [Section 115-H].

(viii) A non-resident Indian having only investment income or income by way of long-term capital gains arising from the transfer of any foreign exchange asset or both need not file the return of his income under section 139 if the tax deductible from such income has been correctly deducted at source. However, it is permissible for him to opt under section 115-I of the Income-tax Act to submit the return of income and claim the refund due to him, if any, as explained in example No. (1) to (3) given hereafter [Section 115-G].

9. "Long-term capital gains" means income chargeable under the head "Capital gains" relating to a capital asset, being a foreign exchange asset which is not a short-term capital asset. For definition of short-term/long-term capital asset, refer page 118.

10. Surcharge on income-tax is not payable from assessment year 1991-92 and onwards [Vide section 2(8) and first proviso to section 2(7) of the Finance Act, 1990, the Finance (No. 2) Act, 1991, the Finance Act, 1992, 1993 & 1994].

11. The benefit of computing the capital gains on sale of shares/debentures of an Indian company, as explained in the para, available to non-resident Indians has been extended to all non-residents including non-resident Indians in relation to assessment year 1993-94 and onwards [Vide 1st proviso to substituted section 48].

12. Notified savings certificates are 6-year National Savings Certificates VIth Issue and VIIth Issue [Notification No. S.O. 653(E), dated September 8, 1982, 137 ITR (St.) 48].

EXAMPLES:

(1) Mr. A who is a citizen of India and has settled outside India. He comes on a visit to India every year but his stay in India during the financial years 1989-90 to 1993-94, is less than 150 days. His status for the purposes of section 6 is non-resident. His "investment income" in India during financial year 1993-94 as a result of various investments made by him in foreign exchange asset is as under:

(i) Dividend income in respect of shares in an Indian company	Rs. 12,000
(ii) Interest on debenture issued by a public limited Indian company.	Rs. 15,000
(iii) Interest on deposits with a public limited Indian company.	Rs. 15,000
Investment income	Rs. 42,000

At the time of payment of such "investment income", the tax deducted at source at the rate of 20% on account of income-tax is **Rs. 8,400**

Assuming that Mr. A has only "investment income" in India and he elects under section 115-I not to be governed by Chapter XII-A and opts to furnish his return of income under section 139 declaring therein that the provisions of Chapter XII-A shall not apply, then, his tax liability for the financial year 1993-94 is to be worked out as given hereunder:

Income accruing or arising in India (investment income)	Rs. 42,000
Less: Permissible deduction:	
Maximum deduction in respect of dividend income under section 80L(1).	Rs. 10,000
Total (taxable) income	Rs. 32,000
Tax deducted at source on Rs. 42,000 @20%	Rs. 8,400
Less: Income-tax payable on total (taxable) income of Rs. 32,000 (Refer page 211)	Rs. 400
Refund due to Mr. A	Rs. 8,000

NOTE: In order to be entitled to this refund of Rs. 8,000, Mr. A should submit the return of income together with a refund application and declaration as stated above on or before 31-3-1996.

(2) In the above example, if the "investment income" is Rs. 1,30,000 made up of dividend income (from an Indian company) Rs. 40,000, interest on deposits with a public limited Indian company Rs. 10,000 and debenture interest income from public limited Indian company Rs. 80,000.

Investment income on foreign exchange assets	Rs. 1,30,000
Income tax deducted at source @ 20%	Rs. 26,000

In this example, it is not in the interest of Mr. A to opt for submission of return of income under section 139. It is so because after taking the maximum deduction of Rs. 10,000 under section 80L, the total income liable to tax would be Rs. 1,20,000 and income-tax thereon at the Scheduled rates would be Rs. 27,000 (Refer page 214) as against Rs. 26,000 deducted at source under the special provisions.

(3) Assuming that during financial year 1993-94 in addition to investment income of Rs. 25,000 by way of dividends from Indian companies, Mr. A has interest income of Rs. 50,000 in India being interest on bank fixed deposits.

Aggregate tax deducted at source:

1. In respect of investment income of Rs. 25,000 @ 20%	Rs. 5,000
2. In respect of interest income of Rs. 50,000 on bank deposits @ 30%	Rs. 15,000
	Rs. 20,000

(a) Mr. A opts that provisions of Chapter XIIA (Refer page 48) may not apply:

Investment income	Rs. 25,000
Interest on bank deposits	Rs. 50,000
Gross total income.	Rs. 75,000
Less: Maximum deduction in respect of bank interest and dividend u/s. 80L(1) .. .	Rs. 10,000
Taxable income	Rs. 65,000
Income-tax deducted at source	Rs. 20,000
Less: Income-tax on total (taxable) income of Rs. 65,000 (as per page 213).	Rs. 8,500
Refund due to Mr. A	Rs. 11,500

In order to be entitled to this refund of Rs. 11,500, Mr. A should submit the return of income with a refund application as stated in note to example (1) above.

(b) If Mr. A desires that provisions of Chapter XIIA (refer page 48) shall apply:

(i) Income other than investment income:		
Interest on bank fixed deposits	Rs. 50,000	
Less: Deduction u/s. 80L: Maximum deduction restricted to	Rs. 10,000	
Income other than investment income in India	Rs. 40,000	
Tax deducted at source on interest income of Rs. 50,000 @ 30%	Rs. 15,000	
Less: Income-tax on Rs. 40,000 (Refer page 211)	Rs. 2,000	
Refund due		Rs. 13,000
(ii) Investment income:		
Dividend income	Rs. 25,000	
Income-tax on Rs. 25,000 @ 20% u/s. 115 E	Rs. 5,000	
Less: Tax deducted at source on investment income of Rs. 25,000 @ 20%	Rs. 5,000	
Refund due		Rs. NIL
Refund due to Mr. A		Rs. 13,000

In this example, it is in the interest of Mr. A that he should opt for assessment under Chapter XII-A in respect of his investment income.

NOTE: In cases where the total income of a person of Indian origin (and who has settled outside India) includes "Investment income" it is in his interest that he is governed by the provisions of Chapter XIIA if such investment income exceeds:

ASSESSMENT YEAR

1994-95	1993-94	
(1) Rs. 1,05,000	Rs. 1,03,000	if the income consists of interest income in respect of debentures issued by an Indian public limited company and/or interest income in respect of deposits with such companies which do not qualify for deduction under section 80L.
(2) Rs. 1,15,000	Rs. 1,10,000	if the income consists of dividend income from Indian company and interest on Government securities amounting to:
		(a) Rs. 10,000 or more, then, qualifying deduction u/s. 80L for assessment year 1994-95 is to be restricted to Rs. 10,000 (for details, refer page 200),
		(b) Rs. 7,000 or more, then, qualifying deduction u/s. 80L for assessment year 1993-94 is to be restricted to Rs. 7,000 (for details, refer page 200).

The above figure of Rs. 1,05,000 for the assessment year 1994-95 and Rs. 1,03,000 for assessment year 1993-94, may be increased to the extent of deduction allowable under section 80L in order to determine at what point it is in his interest to opt under the provisions of Chapter XIIA.

(4) Mr. A who is a non-resident Indian had purchased shares of an Indian company by investing US \$ 1,000. The value in rupees at the time of purchase being Rs. 10,500 (i.e. at Rs. 10.50 per one US \$). He sold the said shares for Rs. 32,000 on 1-3-1994 (assessment year 1994-95), when the prescribed conversion rate in accordance with Rule 115A was Rs. 32 per 1 US \$. Under the first proviso to section 48, the computation of capital gains is to be worked out as under:

Sale price to be converted into the same foreign currency as was initially utilised for the purchase of said shares:

Sale price of shares Rs. 32,000 ÷ Rs. 32 (being the prescribed conversion rate in accordance with Rule 115A of 1 US \$ at the time of sale)	US \$ 1,000
Less: Cost of acquisition of shares in US \$	US \$ 1,000
Capital gains	US \$ Nil

In the above example, if the sale of shares had taken place on 1-3-1989 (assessment year 1989-90) instead of 1-3-1994, the provision of proviso to the then section 48(1) (a) would not apply and the capital gains would have been Rs. 21,500 [Rs. 32,000 (being sale proceeds of shares) less Rs. 10,500 (being the cost of acquisition of shares)] and Mr. A would be liable to pay tax @ 20% on the capital gain of Rs. 21,500 i.e. Rs. 4,300.

(vii) New scheme of Advance Rulings in transactions involving non-residents:

[Insertion of new Chapter XIX-B-Sections 245N to 245V w.e.f. 1-6-1993]

With a view to avoid needless litigation involving non-residents, a separate authority is constituted by the Central Government. 'Authority' means the Authority for Advance Rulings (AAR). The AAR will give advance ruling in pursuance of an application for advance ruling in prescribed Form No. 34C in quadruplicate made by the non-resident. Such an application can be withdrawn by the applicant within 30 days from the date of the application. The AAR will not allow the application where the question raised in the application: (a) is already pending in his case before any income-tax authority, the Appellate Tribunal or any court; (b) involves determination

of the fair market value of any property; and (c) relates to a transaction which is designed *prima facie* for the avoidance of income-tax. The AAR will give advance ruling on question of law or fact in relation to transaction which has been undertaken or proposed to be undertaken by a non-resident. The ruling so given by the AAR shall be binding on the non-resident, the Commissioner and the income-tax authorities subordinate to the Commissioner unless there is a change either in law or facts on the basis of which the advance ruling was pronounced.

(viii) Income of other persons deemed to be the income of the person sought to be taxed:

(Sections 60 to 65)

(1) Under section 60 of the Income-tax Act, 1961, all income arising to any person by virtue of a transfer whether revocable or not and whether effected before or after the commencement of the said Act shall, where there is no transfer of the assets from which the income arises, be chargeable to tax as the income of the transferor and shall be included in his total income.

(2) Under section 61 of the Income-tax Act, 1961, all income arising to any person by virtue of a revocable transfer of assets shall be charged as the income of the transferor and shall be included in his total income subject to the following exceptions made by section 62:

(i) where the income arises to any person by virtue of a transfer by way of trust which is not revocable during the life time of the beneficiary, and, in the case of any other transfer, which is not revocable during the life time of the transferee. In such cases, the income in question will be assessed in the hands of the beneficiary or the transferee, as the case may be, provided the transferor derives no direct or indirect benefit from such income; or

(ii) where the income arises to any person by virtue of a transfer made before 1-4-1961 which is not revocable for a period of six years and the transferor derives no direct or indirect benefit from such income.

(3) INCOME OF INDIVIDUAL TO INCLUDE INCOME OF SPOUSE, MINOR CHILD, ETC.:

(i) From assessment year 1993-94 and onwards, where both the husband and wife are partners in the same firm, the share income of the wife will not be included in the total income of the husband and likewise, the share income of the husband will not be included in the total income of the wife as clause (i) of section 64(1) is omitted w.e.f. 1-4-1993 consequent to revised assessment procedure of firms.

Upto assessment year 1992-93, where both the husband and wife are partners in the same firm carrying on a business (but not profession), the share income of the wife will be included in the total income of the husband if the other personal income of the husband is greater than the other personal income of his wife. But if the other personal income of the wife is greater than that of the husband, his share of income from the firm will be included in the total income of his wife [Section 64(1) (i) read with Explanation 1 to Section 64(1)].

Explanation 1A to section 64(1) provides that where the spouse of an individual is a beneficiary under a trust and the trustee joins in a firm carrying on a business in which such individual is a partner, the income arising from such partnership to the trustee, to the extent it is for the immediate or deferred benefit of the spouse, will be included in the total income of the individual. However, in cases where the total income of such spouse excluding such share income is greater than the total income of the individual excluding his/her share income from the firm, the share income of the individual will be included in the income of the spouse.

Where any such income is once included in the total income of either spouse, any such income arising in succeeding year shall not be included in the total income of the other spouse unless the Assessing Officer is satisfied, after giving that spouse an opportunity of being heard, that it is necessary to do so [Explanation 1 to section 64(1)].

The term "income" includes "loss" and therefore, if the share from the firm is a loss, such loss is to be set off in the assessment of the spouse whose total income other than share from the firm is greater [Section 64(1)(i) and Explanation 2 to section 64].

(ii) In computing the total income of an individual, such income as arises directly or indirectly to the spouse of such individual by way of salary, commission, fees or any other form of remuneration in cash or in kind from a concern in which such individual and one or more of his relatives as defined under section 2(41) has a substantial interest (that is, not less than 20% of the voting power in a case where the concern is a company and in any other case not less than 20% of the profits of the concern) will be included in the total income of such individual [Section 64(1)(ii) read with Explanation 2 to section 64(1)].

However, where both the husband and wife have a substantial interest and both are in receipt of remuneration from such concern, the remuneration from such concern will be included in the total income of the husband or wife, as the case may be, whose total income excluding such remuneration is greater [Explanation 1 to section 64(1)].

Where the spouse possesses technical or professional qualifications and the income is solely attributable to the application of his or her technical or professional knowledge and experience, the provisions of section 64(1)(ii) shall not apply [Proviso to section 64(1)(ii)].

EXAMPLE 1: Messrs. Dalal & Company is a non-professional firm consisting of partners A, B & C sharing profits and losses equally. The wife of partner C is entitled to a remuneration of Rs. 2,000 per month without any technical or professional qualifications. The taxability of remuneration of Rs. 24,000 per annum will be dealt with as under:

(1) The remuneration of Rs. 24,000 will be included in the total income of Mr. C as his share in the firm (one-third) is not less than 20%.

(2) If the share of partner Mr. C in the above firm had been less than 20%, the remuneration received by Mrs. C would be taxed in her hands.

(3) If Mrs. C possesses technical or professional qualifications and the remuneration is attributable to the application of such technical or professional knowledge and experience, the remuneration received by Mrs. C will be taxed in her hands even if share of partner Mr. C in the above firm is 20% or more.

EXAMPLE 2: Mr. A and his wife have a substantial interest in a limited company holding shares carrying not less than 20% of voting power in the limited company. Both Mr. A and Mrs. A draw from the company remuneration of Rs. 30,000 & Rs. 20,000 respectively. The income of Mr. A & Mrs. A, other than remuneration from the company, is Rs. 50,000 & Rs. 40,000 respectively.

The remuneration received by spouse is required to be included in the total income of the spouse whose other income is greater as explained under:

<i>Total income of Mr. A</i>		
Total income other than remuneration	Rs. 50,000	
Remuneration from the company:		
(1) Receivable by Mr. A	Rs. 30,000	
(2) Receivable by Mrs. A but includible in Mr. A's assessment as provided under Explanation 1 to section 64(1)	Rs. 20,000	Rs. 50,000
Gross total income of Mr. A	Rs. 1,00,000	
<i>Total income of Mrs. A</i>		
Total income other than remuneration	Rs. 40,000	
Remuneration of Mrs. A from the company	Rs. 20,000	
Less: Included in the assessment of Mr. A under Explanation 1 to section 64(1)	Rs. 20,000	Rs. Nil
Gross total income of Mrs. A	Rs. 40,000	

Note: If Mrs. A possess technical or professional qualifications and the remuneration is attributable to the application of such technical or professional knowledge and experience, the remuneration received by Mrs. A will be taxed in her hands.

(iii) From assessment year 1993-94 and onwards, the income of a minor child arising from admission to the benefits of partnership will not be included in income of either parent as clause (iii) of section 64(1) is omitted w.e.f. 1-4-1993 consequent to revised assessment procedure of firms and insertion of new section 64(1A) [For further details, refer item (ix) on page 53].

Upto assessment year 1992-93, the income of a minor child arising from admission to the benefits of partnership even though neither of the parent of the minor is a partner in that firm will be included in income of that parent whose total income is greater [Section 64(1)(iii)].

Where a minor child of an individual is a beneficiary under a trust and the trustee joins in any partnership business with any person, the income arising to the trustee from the membership of the trustee in a firm shall, to the extent such income is for the benefit of the minor child, will be included in the total income of that parent who has the greater income [Explanation 2A to section 64(1)].

(iv) Any income which arises directly or indirectly to the spouse of any individual from assets transferred directly or indirectly to the spouse by such individual otherwise than for adequate consideration (love and affection is not an adequate consideration) or in connection with an agreement to live apart, will be deemed to be the income of the transferor of the assets [Section 64(1)(iv)].

(v) From assessment year 1993-94 and onwards, minor's income arising out of assets transferred without adequate consideration will not be included in the hands of individual as stated in subsequent para as clause (v) of section 64(1) is omitted w.e.f. 1-4-1993 consequent to insertion of new section 64(1A) [For further details, refer item (ix) on page 53].

Upto assessment year 1992-93, any income which arises directly or indirectly to a minor child (including a married daughter) of an individual from assets transferred directly or indirectly to the minor child by such individual otherwise than for adequate consideration will be deemed as the income of such individual and included in his total income [Section 64(1)(v)].

(vi) Any income which arises directly or indirectly from assets transferred directly or indirectly on or after 1-6-1973 by an individual to son's wife¹³ otherwise than for adequate consideration, will be included in the total income of such individual [Section 64(1)(vi)].

13. Upto assessment year 1992-93, the provisions of—

(a) section 64(1)(vi) & 64(1)(viii) were applicable also to son's minor child.

(b) section 64(1)(vii) were applicable also to 'minor child'.

It may be noted that such income arising to 'son's minor child'/'minor child' is to be included in the hands of his parents for and from assessment year 1993-94 and onwards under newly inserted section 64(1A) [For further details, refer item (ix) on page 53].

(vii) Any income which arises directly or indirectly to any person or association of persons from assets transferred *directly or indirectly* otherwise than for adequate consideration to the person or association of persons by an individual, will be included in the total income of such individual, to the extent to which the income from such assets is for the immediate or deferred benefit of his or her spouse^{13a} [Section 64(1)(vii)].

(viii) Any income which arises directly or indirectly to any person or association of persons from assets transferred directly or indirectly on or after the 1st day of June, 1973, otherwise than for adequate consideration, to the person or association of persons by an individual, will be included in the total income of such individual, to the extent to which the income from such assets is for the immediate or deferred benefit of his son's wife¹⁴ [Section 64(1) (viii)].

EXAMPLE: Mr. A transfers a sum of Rs. 1 lakh to his brother Mr. B on 1-4-1975. Mr. B creates a trust by which he settles the said amount of Rs. 1 lakh received from Mr. A for the benefit of Mr. A's wife, minor child, son's wife and son's minor child. It is assumed that:

- (i) the personal income of Mr. A. is Rs. 40,000;
- (ii) the income of the trust created by Mr. B is Rs. 20,000;
- (iii) the share of each beneficiary is 25%.

Income arising from the assets transferred indirectly is to be aggregated with the income of Mr. A u/s. 64(1)(vii) & 64(1)(viii). Total income of Mr. A will be as under:

	Assessment years	
	Upto 1992-93	1993-94 & onwards
(i) Personal income	Rs. 40,000	Rs. 40,000
(ii) Share of income of wife from the trust [Included u/s. 64(1)(vii)]	Rs. 5,000	Rs. 5,000
(iii) Share of income of minor child from the trust [Included u/s. 64(1)(vii) ¹⁵]	Rs. 5,000	Rs. Nil ¹⁵
(iv) Share of income of son's wife from the trust [Included u/s. 64(1)(viii)]	Rs. 5,000	Rs. 5,000
(v) Share of income of son's minor child from the trust [Included u/s. 64(1)(viii) ¹⁵]	Rs. 5,000	Rs. Nil ¹⁵
Gross total income of Mr. A	Rs. 60,000	Rs. 50,000

Notes: "Child" in relation to an individual, includes a step-child and an adopted child of that individual [Section 2(15B)].

It may, however, be noted that though under the provisions of section 64 as discussed above, the income legally arising to a person is deemed to be the income of another person in the circumstances mentioned above, the income arising from the investment of such "deemed income" will not be includible in the income of such other persons, except from assessment year 1993-94 and onwards, where such income arises to minor child.

(ix) From assessment year 1993-94 and onwards, under newly inserted section 64(1A), all income accruing or arising to minor child^{15a} shall be included in the total income of the parent, except the following—

- (a) income accruing or arising to minor child on account of any manual work done by him; or
- (b) income accruing or arising to minor child on account of any activity involving application of his skill, talent or specialised knowledge & experience.

The income of minor shall be included—

- (a) where the marriage of his parents subsists, with the income of that parent whose total income (excluding minor's income) is greater; or
- (b) where the marriage of his parents does not subsist, with the income of that parent who maintains the minor child in the previous year.

Where any such income is once included in the total income of either parent, any such income arising in any succeeding year shall not be included in the total income of the other parent, unless the Assessing Officer is satisfied, after giving that parent an opportunity of being heard, that it is necessary so to do.

Income not exceeding Rs. 1,500 in respect of each minor child, whose income is to be included, is exempt under the newly inserted section 10(32).

It may be noted that, for assessment year 1994-95, section 80V provides that where a minor child, whose income is included in the total income of one of his parents u/s. 64(1A), is suffering from any disability of the

13a. Refer footnote No. 13 on page 52.

14. Refer footnote No. 13 on page 52.

15. The above income will be included in the hands of parent of the minor under newly inserted section 64(1A). For details, refer sub-item (ix) above.

15a. For the notes on amendment made in section 64(1A) by the Finance Act, 1994, refer Para 9.1 on page 38.

nature specified in section 80U, then, in computing the total income of such parent, a deduction will be allowed of a sum to which such minor child would have been entitled to u/s. 80U (i.e. maximum Rs. 20,000) had total income of such minor child had been computed separately. The admissible deduction is Rs. 20,000 or the income of the minor child included, whichever is lower.

**(4) INCOME OF INDIVIDUALS TO INCLUDE INCOME
OF CERTAIN HINDU UNDIVIDED FAMILIES:**

Where an individual being a member of a Hindu undivided family throws his separate property into the common hotchpot of the family after 31-12-1969, the entire income arising from such converted property will be included in the total income of such individual [Section 64(2)(b)].

Similarly, where an individual transfers directly or indirectly his separate property (instead of throwing into the common stock of the family) to the Hindu undivided family of which he is a member otherwise than for adequate consideration, the entire income arising from such converted property will be included in the total income of the individual [Section 64(2)(b)].

Where the income from converted property is included in the total income of the individual, such income is to be excluded from the total income of the family [Proviso to section 64(2)].

In the event of a partial or total partition in the family, the income arising to the spouse or minor child from the whole or any part of the converted property allotted to the spouse¹⁶ on such partition will be deemed to arise to them from assets transferred to them indirectly by the individual and will be includible in the income of the individual under section 64(1) read with section 64(2)(c).

EXAMPLE: A an individual being a member of a Hindu undivided family converted his separate property on 1-1-1970 into property belonging to his Hindu undivided family. The income in respect of such converted property is Rs. 50,000. Assuming that the family consists of Mr. A, Mrs. A, 2 minor sons and 1 major son, the income in respect of the H.U.F. is to be assessed as under:

Total income of the H.U.F. from converted property	Rs. 50,000
Less: Exclusion from the total income [Proviso to section 64(2)]	Rs. 50,000
Taxable income of H.U.F. ..	Rs. NIL

The income of Rs. 50,000 shall be deemed to arise to Mr. A and will be included in his total income [Refer section 64(2)(b)].

However, in cases where there is a partial partition or total partition amongst the members of the family, only the income received by Mr. A, Mrs. A and 2 minor children¹⁶ from the partitioned assets shall be included in the total income of Mr. A. The income received by the major son from the partitioned assets will not, however, be included in the total income of Mr. A.

The provisions of section 171(9) as explained hereafter will not be applicable to a partial partition of a separate property converted into H.U.F. property after 31-12-1969.

(a) Assessment of a Hindu undivided family where partition is effected before 1-1-1979:

[Section 171]

Under the provision of the income-tax Act, a total or partial partition of a Hindu undivided family can be claimed at the time of making the assessment of the Hindu undivided family and finding to that effect shall be recorded by the Assessing Officer under section 171(3) if he is satisfied that a partition, whether total or partial, has actually taken place. The assessment after partition is then to be made as indicated in the relevant sub-sections of section 171.

(b) Partial partition of a Hindu undivided family after 31-12-1978 to be de-recognised:

[Section 171(9)]

"Partial partition" as defined in clause (b) of the Explanation to section 171 means a partition which is partial as regards the persons constituting the Hindu undivided family, or the properties belonging to the Hindu undivided family, or both.

With effect from 1-4-1980, a partial partition among the members of a Hindu undivided family hitherto assessed as undivided effected after 31-12-1978 will not be recognised. This sub-section further stipulates that cases in which finding of such partial partition has been recorded under sub-section (3) of section 171 before or after 18th June, 1980, the same shall be treated as null and void. This sub-section is introduced with a view to curb the tendency to avoid or reduce the tax liability by the creation of multiple Hindu undivided families through the medium of partial partitions. In other words, despite the partial partition, such Hindu undivided family shall be liable to be assessed as if no partial partition has taken place.

This sub-section is, however, not applicable in a case where a total partition has taken place even after 31-12-1978.

16. Upto assessment year 1992-93, the provisions of section 64(1) read with section 64(2)(c) were also applicable to 'minor child'. From assessment year 1993-94 and onwards, provisions of section 64(1A) will apply in such cases as explained in item (ix) on page 53.

(5) *INCOME INCLUDES LOSS:*

Explanation 2 to section 64 provides that the word "income" shall include "loss" for the purposes of section 64.

II. PRIVATE TRUSTS

[Sections 161, 164 & 166]

(i) *DEFINITE TRUST:*

In the case of a *Definite trust* (i.e. where the shares of the beneficiaries are determinate or known), the income falling to the share of each beneficiary is liable to tax in the hands of the trust under section 161, as a representative assessee, at the rate applicable to each beneficiary. However, under section 166 there is no bar to such share of income from the trust being assessed in the hands of the respective beneficiaries.

Section 161(1A) provides that, a *definite trust* will be liable to be taxed at the maximum marginal rate¹⁷, if the income of such trust consists of, or includes, profits and gains of business.

However, the maximum marginal rate will not apply in a case where the profits and gains of business are receivable under a trust declared by any person by "will" exclusively for the benefit of any relative dependent on him for support and maintenance, and such trust is the only trust so declared by him.

(ii) *DISCRETIONARY TRUST:*

A trust is regarded as "*discretionary trust*" if the income or any part thereof is not specifically receivable on behalf or for the benefit of any one person or where the individual shares of the beneficiaries are indeterminate or unknown.

"*Discretionary trust*" is liable to tax under section 164 at the maximum marginal rate¹⁷.

The maximum marginal rate of tax will *not* apply under conditions mentioned hereunder:

(a) Where none of the beneficiaries has any other income chargeable under the Income-tax Act exceeding the maximum amount not chargeable to tax in the case of an association of persons, and none of the beneficiaries is a beneficiary under any other trust; or

(b) where the relevant income is receivable under a trust declared by any person by "will" and such trust is the only trust so declared by him; or

(c) where the trust was created before 1-3-1970 by a non-testamentary instrument exclusively for the benefit of the relatives of the settlor mainly dependent on him for their support and maintenance; or

(d) where the relevant income is receivable by the trustees on behalf of a provident fund, superannuation fund, gratuity fund, pension fund or any other fund for the benefit of persons employed in business or profession.

The provisions of section 167B applicable to association of persons (refer page 60) which provides for tax at maximum marginal rate will not apply to the above cases [Vide Circular No. 577 dt. 4-9-1990. 185 ITR (St.) 49].

However, if the relevant income consists of, or includes, profits and gains of business, the above exceptions (a) to (d) will not apply unless such profits and gains are receivable under a trust declared by any person by 'will' exclusively for the benefit of any relative dependent on him for support and maintenance and such trust is the only trust so declared by him. Barring this exception, tax will be charged at the maximum marginal rate on the whole income of the trust if any of its income consists of, or includes, profits and gains of business [2nd Proviso to section 164(1)].

Where the property is held under trust in part only for religious or charitable or religious purposes and the remaining part is held for other purposes, the tax chargeable shall be:

(a) tax on that part of the income which is applicable to charitable or religious purposes, to the extent it is not exempt under section 11, at the rate applicable to an association of persons;

(b) tax on that part of the income which is applicable to charitable or religious purposes, to the extent it is not exempt under section 11 or section 12 by virtue of contravention of provisions of sections 11(4A), 13(1)(c) and 13(1)(d), at the maximum marginal rate of income-tax including surcharge, if any, of respective year; and

(c) tax on income which is applicable to other purposes at the maximum marginal rate of income-tax including surcharge, if any, of respective year.

17. For maximum marginal rate of tax, refer footnote No. 22 on page 60.

EXAMPLE: A trust, created before 1-4-1962, partly for charitable purposes has the following income for the asst. year 1994-95:

(i) Income from property held in trust in part for charitable purposes	Rs. 60,000
Less: Permitted accumulation @ 25% of Rs. 60,000	Rs. 15,000
Amount actually applied on objects of the trust	Rs. 14,000
Balance liable to tax	Rs. 31,000
(ii) Income from the remaining part of the trust property (non-charitable purposes) in which the shares of beneficiaries are not known	Rs. 20,000
Total income liable to tax	Rs. 51,000
The tax payable will be:	
(1) on Rs. 31,000 relating to charitable part as if it were the total income of an A.O.P. (Refer page 211)	Rs. 200
(2) on Rs. 20,000 at the maximum marginal rate of tax @ 44.8%	Rs. 8,960
Total tax	Rs. 9,160

The discretionary trust is not eligible for deduction under section 80L, as the said deduction is available only to individual and Hindu undivided family.

Such trust will be taxable even if the income of such trust is below the taxable limit of respective year.

III. ORAL TRUSTS

[Sections 160(I)(v) and 164A]

"Oral trusts" will be charged to tax at the maximum marginal rate¹⁸. A trust which is not declared by a duly executed deed in writing will be considered as an oral trust. If trustee or trustees of such an oral trust files duly signed statement in writing containing the following details:

- purposes of the trust;
- particulars of the trustees;
- particulars of the beneficiaries; and
- particulars of the trust properties,

with the Assessing Officer, within 3 months from 1-6-1981, in respect of oral trust created before that date or within 3 months from the date of declaration of trust in other cases, then, such oral trust shall be deemed to be a trust declared by a duly executed deed in writing. In other words, such trusts will not be assessed at the maximum marginal rate¹⁸ under section 164A. The existing provisions of section 160(I)(iv), 161 and 164 will be applicable for assessment of such trusts as discussed in the Chapter relating to "Private Trusts" on page 55.

IV. INCOME OF CHARITABLE AND RELIGIOUS TRUSTS

[From assessment year 1992-93 and onwards]

[Sections 2(15), 2(24), 11, 12, 12A & 13]

(i) Income exempt from tax and conditions:

[Sections 2(15), 2(24), 11(1), 11(1B) & 12A]

The charitable purpose includes relief of the poor, education, medical relief and the advancement of any other object of general public utility [Section 2(15)].

Income in the form of voluntary contribution made with a specific direction that they shall form part of the corpus of the trust will be excluded from the total income of the trust u/s. 11(1)(d). Voluntary contributions will be included in the total income of the trust only if it loses exemption under section 11. This is consequential to inclusion of voluntary contributions in the definition of income u/s. 2(24).

The income derived from property held under trust or institution (referred to as trust for brevity) wholly for charitable or religious purposes is exempt, provided:

- 75% of its income derived from property held under trust is applied to such purposes in India;
- the trust has made an application in Form No. 10A for registration with the Chief Commissioner or Commissioner before 15-8-1973 or within one year from the date of creation of the trust, whichever is later. From 17-10-1989, such application should be made to Directors of Income-tax (Exemptions), if the concerned trust is assessable in Delhi, Bombay, Madras or Calcutta [Vide Circular No. 584 dt. 13-11-90. 186 I.T.R. (St.) 155]; and

18. For maximum marginal rate of tax, refer footnote No. 22 on page 60.

(3) where the total income of the trust as computed under the Income-tax Act before exemption under sections 11 and 12 exceeds Rs. 25,000/-^{18a} in any year, the accounts of the trust for that year are audited by a Chartered Accountant and the audit report in Form No. 10B is filed with the return of income.

If the income is derived from property held under trust in part only for charitable or religious purposes, the income applied to such purposes in India will also qualify for exemption provided the trust was created before 1-4-1962. If the trust was created after 1-4-1962, the provisions of section 164(3) will apply [Refer item (ii) on page 55].

In cases, where the amount spent on the objects of the trust during a previous year is less than 75% of its income, the deficiency can be made good at the option of the trustees to be exercised in writing before the expiry of the time allowed for furnishing the return of income under section 139(1) as under:

(a) where the deficiency is due to the reason that the whole or part of the income which has accrued has not been received during the previous year, such deficiency may be made good during the previous year in which such income is actually received, or in the next previous year;

(b) where the deficiency is due to any other reason, the same is to be made good in the previous year immediately following the previous year in which the deficiency has occurred.

Where the option is exercised but in the event of non-application of such income for the purposes of the trust within the stipulated time, such income shall be deemed—

(1) in cases referred to in (a) above, as income of the previous year immediately following the previous year in which such income was actually received; and

(2) in cases referred to in (b) above, as income of the previous year immediately following the previous year in which such income was derived.

(ii) Accumulation of income and conditions:

[Section 11(2), (3) & (3A)]

Accumulation or setting apart of any part of the trust income for future application to charitable or religious purposes in India is permissible without attracting tax liability provided the trustees give notice to the Assessing Officer in the prescribed Form No. 10 specifying the purpose and the period, not exceeding 10 years¹⁹ for which the income is to be accumulated and the amounts so accumulated or set apart are invested in an approved pattern of investments specified in section 11(5) as detailed in item (vii) on page 58.

If, in any year, the accumulated income ceases to remain invested or deposited as stipulated, it will be liable to tax as income of that year. Similarly, if in any year the accumulated income is applied to purposes other than religious or charitable purposes or ceases to be set apart for application to such purposes, it will be subject to tax as the income of that year. Further, if the accumulated income or any part thereof is not utilised for the specified purposes during the period of accumulation or during the year immediately following the expiry thereof, the amount which has not been so utilised will be liable to tax as income of the previous year immediately following the expiry of the accumulation period.

However, income allowed to be accumulated or set apart shall not be denied exemption later on if, due to circumstances beyond the control of the trustees, it cannot be spent for the purposes for which it was accumulated or set apart but is utilised, with the permission of the Assessing Officer, on any other charitable or religious purposes in conformity with the objects of the trust.

(iii) Income from voluntary contributions:

(Section 12)

Voluntary contributions received by a trust created wholly for charitable or religious purposes (not being contributions with a specific direction that they shall form part of the corpus of the trust) shall be deemed to be income of the trust subject to exemption under section 11. Please refer item (i) on page 56. In order to establish that the contributions were received with the specific direction that they shall form part of the corpus of the trust, it is advisable to obtain confirming letters to that effect from the donors.

It may be noted that income by way of voluntary contributions received by private religious trusts or trusts created partly for charitable or religious purposes will not be exempt from tax.

(iv) Exemption of Capital gains:

[Section 11(1A)]

On sale of a capital asset of a charitable trust, whether it is a *long-term* or a *short-term capital asset*, and reinvesting the net consideration (i.e. sale proceeds as reduced by any expenditure incurred wholly and exclusively in connection with such sale) in another capital asset, then, the capital gain equivalent to reinvestment in the new asset shall be deemed to have been applied to charitable purposes and will, therefore, be exempt. If any long-term capital gain is chargeable, it will be subject to deductions under section 48(1)(b) upto assessment year 1992-93.

18a. For the notes on amendment made in section 12A(b) by the Finance Act, 1994, refer Para 3.1 on page 34.

19. In computing the period of 10 years, period if any, during which accumulated income could not be applied for the purpose for which it is so accumulated, due to an order or injunction of any court, shall be excluded [Vide proviso to section 11(2)].

(v) Business income of the trust:**[Section 11(4) & 11(4A)]**

Under section 11(4) where exemption is claimed in respect of income of any business undertaking held under trust for charitable and religious purposes, such income shall be computed in accordance with the provisions of the Income-tax Act and if the income so computed exceeds the income shown in the accounts of the undertaking, the excess shall not be entitled to exemption.

Section 11(4A) provides that provision relating to exemption, accumulation and application of trust income as contained in section 11(1), (2), (3) & (3A) will not apply to any profits and gains of business, unless the business is incidental to the attainment of the objectives of the trust, and separate books of account are maintained by such trust in respect of such business.

(vi) Exemption under section 11 not available in certain cases:**(Section 13)**

The following income of charitable or religious trusts does not qualify for exemption under section 11:

(1) Any income of private religious trusts which does not enure for the benefit of public [Section 13(1)(a)].

(2) Any income of charitable trusts and institutions created or established after 31-3-1962 for the benefit of any particular religious community or caste [Section 13(1)(b)].

(3) Any income of religious trusts and institutions created or established after 31-3-1962 which enures directly or indirectly for the benefit of any person referred to in section 13(3), i.e., author of the trust or founder of the institution or a substantial contributor to the trust or institution or any relative of such author, founder or substantial contributor, etc. [Section 13(1)(c)(i)].

"Substantial contributor" for this purpose means a contributor whose total contribution upto the end of relevant previous year exceeds Rs. 25,000^{19a} [Section 13(3)(b)].

(4) Any income of religious trusts and institutions whether created or established before or after 31-3-1962, if any part of their income or property is, during the previous year, used or applied, directly or indirectly, for the benefit of any person referred to in (3) above. However, in the case of trusts or institutions created or established before 1-4-1962, the exemption under section 11 will not be denied if any part of their income or property is used or applied for the benefit of any person referred to in (3) above in compliance with the mandatory term of the trust or a mandatory rule governing the institution [1st proviso to section 13(1)(c)].

(5) In a case where the funds of the trust or institution are invested in a concern in which any person referred to in (3) above has a substantial interest* and such investment exceeds 5% of the capital of the concern [Section 13(4)].

*The persons referred to in (3) above shall be deemed to have substantial interest in a concern, being a company, if they beneficially own shares (not being shares entitled to a fixed rate of dividend) carrying not less than 20% of the total voting power and in the case of any other concern, they are entitled, either singly or taken together, to not less than 20% of the profits of such concern. However, if the investment by the trust in such concern does not exceed 5% of the capital of such concern, the income of the trust from such concern alone is not entitled to exemption, but the rest of the income of the trust will qualify for exemption [Vide Circular No. 51, dt. 23-12-70. 79 ITR (St.) 72].

(6) Any profits and gains of business will not be exempt in the case of charitable or religious trusts and institutions except in cases covered under the heading "Business income of the trust".

(vii) Pattern of investment of charitable trusts:**[Sections 11(5) & 13(1)(d)]**

The uniform pattern of investment of charitable trust as laid down in section 11(5) is as under:

- (1) Investment in Government savings certificates, including Indira Vikas Patra & Kisan Vikas Patra [Vide Circular No. 566 dt. 17-7-1990. 185 ITR (St.) 1].
- (2) Investment in immovable property.
- (3) Deposit in any account with Post Office Savings Bank.
- (4) Deposit in any account with (a) any nationalised bank, or (b) State Bank of India or any of its subsidiaries, or (c) scheduled bank, or (d) co-operative bank.
- (5) Investments in units of the Unit Trust of India.

19a. For the notes on amendment made in section 13(3)(b) by the Finance Act, 1994, refer Para 3.1 on page 34.

- (6) Investment in Central or State Government security.
- (7) Investment in debentures of any company or corporation where the principal whereof and the interest whereon are fully and unconditionally guaranteed by the Central or State Government.
- (8) Investment or deposit in any public sector company as defined in section 2(36A).
- (9) Deposits with or investment in any bonds issued by a financial corporation which is engaged in providing long-term finance for industrial development in India and which is approved by the Central Government u/s. 36(1)(viii).
- (10) Deposit with or investment in any bonds issued by a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes and which is approved by the Central Government for the purposes of section 36(1)(viii).
- (11) Deposits with the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964.
- (12) Any other form or mode of investment or deposit as may be prescribed (Refer rule 17C²⁰).

Further, section 13(1)(d) provides that the trust will forfeit the exemption, if—

- (a) any trust fund is invested after 28-2-1983 otherwise than in any approved pattern of investment as detailed above;
- (b) any trust fund having invested in non-approved pattern of investment before 1-3-1983 and continues to be so invested after 30-11-1983;
- (c) the trust holds shares in a company other than a Government company or a statutory corporation after 30-11-1983.

However, the above provisions will not apply in relation to:

- (i) any assets held by the trust where such assets form part of the corpus of the trust as on the 1st day of June, 1973;
- (ii) any accretion to the shares, forming part of the corpus referred to in (i) above, by way of bonus shares allotted to the trust;
- (iii) any assets (being debentures issued by, or on behalf of, any company or corporation) acquired by the trust before the 1st day of March, 1983²¹;
- (iv) any assets, not being investment or deposit in approved pattern of investment detailed above, where such asset is not held by the trust otherwise than in any approved pattern of investment as detailed above, after the expiry of one year from the end of the previous year in which such asset is acquired or 31-3-1993, whichever is later;
- (v) any funds representing the profits and gains of business of any previous year relevant to the assessment year commencing on the 1st day of April, 1984 or any subsequent assessment year.

Where the trust or institution has any other income in addition to profits and gains of business, the provisions of (v) above shall not apply unless the trust or institution maintains separate books of account in respect of such business.

(viii) Filing of return of income by trustees of charitable or religious trusts:

[Sections 139(4A) & 139A(2)]

It is obligatory for the trustees of charitable or religious trust or institution to file voluntary return of income under sub-section (4A) of section 139 if the total income of the trust or institution, without giving effect to the provisions of sections 11 & 12, exceeds the maximum amount not liable to tax. The return is required to be filed within the time allowed u/s. 139(1) of the Income-tax Act.

- Notes:**
1. The income of the trust as is not exempt under section 11 or 12 is taxable as if it is an association of persons [Section 164(2)].
 2. The dividend, etc. is not entitled to deduction u/s. 80L as such deduction is only available to individual and H.U.F.
 3. W.e.f. 1-4-1990, if the trust has not been allotted permanent account number and is required to furnish return of income u/s. 139(4A), then, such trust has to apply for allotment of permanent account number within the prescribed time [Section 139A(2)].

20. Under I.T. Rule 17(C): (i) investment made in the units of Mutual Fund referred to in section 10(23D) & (ii) any transfer of deposits to the Public Account of India.

21. It may be noted that where the debentures of a company are acquired by the trust after 28-2-1983 but before 24-7-1991, exemption u/s. 11/12 will be denied only in respect of interest on such debentures; that is, such interest will be taxed. However, such debentures should be disinvested and invested in the approved pattern of investment detailed above on or before 31-3-1992. If not so disinvested, the trust will lose exemption u/s. 11 [Section 13(5)].

(ix) Levy of tax at "maximum marginal rate" in the case of charitable and religious trusts in certain circumstances:
[Section 164(2)]

Sub-section (2) of section 164 provides that in the case of income derived from property held under trust wholly for charitable or religious purposes or which is in the nature of voluntary contributions received by the trust or which is of the nature of profits and gains of business, tax shall be charged on so much of the income as is not exempt under section 11 or section 12 as if the income not so exempt were the income of an association of persons.

However, in a case where the whole or any part of the aforesaid income is not exempt under section 11 or section 12 because of the contravention of the provisions of section 13(1)(c) and 13(1)(d), tax shall be charged on such income or part thereof, as the case may be, at the "maximum marginal rate".

V. ASSOCIATION OF PERSONS/BODY OF INDIVIDUALS:

ASSESSMENT YEARS 1989-90 AND ONWARDS:

[Sections 40(ba), 67A, 80A(3), 86 & 167B]

The provisions of above sections for and from assessment year 1989-90 introduces a new scheme of assessment of an association of persons (AOP), body of individuals (BOI) and the members thereof. In the following circumstances, AOP/BOI will be charged to tax at the maximum marginal rate²² under section 167B:

- (a) Where the shares of the members in the whole or any part of the income of AOP/BOI are indeterminate or unknown on the date of formation of such association/body or at any time thereafter;
- (b) Where any member of AOP/BOI has taxable income (excluding his share from association/body).

However, in a case (a) above, if any of its member is taxable at a rate higher than the maximum marginal rate, then the AOP/BOI will be charged to tax at such higher rate instead of at the maximum marginal rate.

Further, in a case (b) above, if any of its member is taxable at a rate higher than the maximum marginal rate, then the portion of total income of AOP/BOI relating to the share of that member shall be charged to tax at such higher rate and the balance of total income shall be charged at the maximum marginal rate.

Where the share of the members of AOP/BOI are determinate and known and none of the member has taxable income, then the AOP/BOI will be charged to tax at the slab rates applicable to individual.

While computing the business or professional income of AOP/BOI, interest, salary, bonus, commission or remuneration paid to a member will not be allowed as deduction under section 40(ba).

Where the shares of members of AOP/BOI are determinate or known, computation of shares of its members is to be made in accordance with section 67A as under:

(1) Deduct interest, salary, bonus, commission or remuneration, by whatever name called, paid to the member from the total income of the AOP/BOI;

(2) The balance so arrived at in (1) above is to be apportioned amongst the members in the proportion in which they are entitled to share in the income of the AOP/BOI, under the same heads of income as in the case AOP/BOI;

(3) If the amount apportioned to a member as in (2) above:

(a) is a profit, any interest, salary, bonus, commission or remuneration paid to the member by the AOP/BOI is to be added to such apportioned amount and the resultant amount will be member's share in the income of AOP/BOI;

(b) is a loss, any interest, salary, bonus, commission or remuneration paid to the member by the AOP/BOI is to be adjusted against the apportioned loss and the resultant amount will be member's share in the income of AOP/BOI.

(4) Interest paid by a member on capital borrowed by him for the purposes of investment in the AOP/BOI will be allowed as deduction from his share (chargeable under the head "Profits and gains of business or profession") as determined in (3) above.

22. Maximum marginal rate of tax for various assessment years is as under:

Assessment years	Maximum marginal rate of tax
1991-92 & 1992-93	56.00% (Being 50% I.T. + 12% S.C. on I.T.)
1993-94 & 1994-95	44.80% (Being 40% I.T. + 12% S.C. on I.T.)
1995-96	40.00% I.T.

Where any deduction admissible under sections 80G, 80GGA, 80HH, 80HHA, 80HHB, 80HHC, 80HHD, 80-I, 80-IA, 80J or 80JJ is allowable in computing the total income of the AOP/BOI, no deduction under the same section shall be allowed in the hands of its member in computing his share of income from the AOP/BOI [Section 80A(3)].

Under section 86 the share of a member as computed under section 67A:

(a) will be included in the total income of the member for rate purposes only if AOP/BOI is chargeable to tax at usual rates and not at maximum marginal rate; or

(b) will not at all be included in the total income of the member, if the AOP/BOI has been taxed at maximum marginal rate or at still a higher rate; or

(c) will be included in the total income of the member and income-tax shall be payable thereon, if no income-tax is chargeable on the total income of the AOP/BOI, as the provisions of section 86 will not apply in such circumstances.

The Central Board of Direct Taxes has clarified by its Circular No. 320 of 11th January, 1982 [134ITR (St.) 166] that "in the cases of registered societies, trade and professional association, social and sports clubs, charitable or religious trusts, etc., where the members or trustees are not entitled to any share in the income of the association of persons, the provisions of section 167A/167B will not be attracted and, accordingly, tax will be payable in such cases at the rate ordinarily applicable to the total income of an association of persons and not at the maximum marginal rate."

VI. COMPUTATION OF TOTAL INCOME

(Section 14)

For the purpose of computation of total income on which tax is to be charged, income from various sources is to be computed under the following heads:

- (1) Salaries.
- (2) Income from house property.
- (3) Profits and gains of business or profession.
- (4) Capital gains.
- (5) Income from other sources (i.e., residuary income which does not fall under any of the preceding heads).

"SALARIES"*[From assessment year 1991-92 and onwards]***[Sections 15, 16 & 17]**

Income under the head "Salaries" comprises remuneration in any form (including perquisites) due for personal service under an express or implied contract of employment or service. Thus, the contractual relationship should be as between an employer and employee¹.

Income from "salaries" is chargeable to tax on due basis.

Salary accrues at the place where service is rendered [Vide Explanation to section 9(1)(ii)]. Thus, leave salary paid abroad to a person employed in India when he proceeds on leave to a foreign country is treated as income arising in India. Similarly, when a person employed in India settles in a foreign country after retirement and receives his pension abroad, the pension so paid to him will be taken as income accruing in India and will be liable to tax even though he may be a non-resident. This is because the pension is paid on account of services rendered in India.

In the case of a Government servant, who is a citizen of India and is posted abroad, the salary paid to him abroad is deemed to accrue or arise in India under section 9(1)(iii) even though the service is rendered by him outside India. However, foreign allowances and perquisites granted to such government employees posted to a foreign country are specifically exempt under section 10(7). This concession is not, however, available to Indian employees in private service who are posted abroad.

Income which is assessable under the head "Salaries"

(i) any salary due from an employer or a former employer to an assessee in the previous year, whether paid or not;

(ii) any salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer though not due or before it became due to him. This includes salary paid in advance and where it is included in the total income of any previous year in which it is paid, it will not be included again in the total income of the previous year in which such salary becomes due;

(iii) any arrears of salaries paid or allowed to him in a previous year by or on behalf of an employer or former employer, if not charged to income-tax for any earlier previous year.

It may, however, be noted that if as a result of receipt of any arrears of salary, the income is assessed at a rate higher than that at which it would otherwise have been assessed, the assessee may apply to the Assessing Officer concerned for appropriate relief under section 89(1) of the Income-tax Act. Relief will be granted in accordance with Rule 21A of the Income-tax Rules² (for details, refer page 66).

Ordinarily, the word "salary" is understood as periodical payment for services rendered by an employee to an employer. However, for the purposes of sections 15 and 16, it is defined u/s. 17 as inclusive of the following items:

- (i) Wages;
- (ii) Any annuity or pension;
- (iii) Any gratuity;
- (iv) Any fees, commission, perquisites or profits in lieu of or in addition to any salary or wages;
- (v) Any advance of salary;
- (vi) Any payment received by an employee while in service in respect of any period of leave not availed of by him³;
- (vii) (a) The portion of the annual accretion in any previous year to the balance at the credit of an employee participating in a recognised provident fund, consisting of employer's contributions in excess of 10% of the salary of an employee and (b) interest credited on the balance in so far as it exceeds 12%.
- (viii) Transferred balance in a recognised provident fund to the extent to which it is chargeable to tax under sub-rule (4) of Rule 11 of Part A of the Fourth Schedule.

However, any lump sum payment made gratuitously or by way of compensation or otherwise to widow/legal heir of an employee, who dies while in service will not be taxable under the Income-tax Act [Vide Circular No. 573 dt. 21-8-1990. 185 ITR (St.) 31].

DEARNESS ALLOWANCE

This is an additional payment over and above the basic salary for meeting the high cost of living and is chargeable under the head "Salaries".

1. It may be noted that the salary, bonus, commission or remuneration received by a partner of the firm from the firm will not be chargeable under the head "Salaries" [Explanation 2 to section 15]. It will be charged under the head "Profits and gains of business or profession" [Section 28(v)].

2. For the purposes of deduction of tax at source u/s. 192(1), certain categories of employers have been empowered to allow the relief u/s. 89(1) to its employees subject to the condition that employee files particular in the prescribed Form No. 10E to the employer (For details, refer page 81).

3. The encashment of unutilised leave at the time of retirement on superannuation or otherwise is exempt under section 10(10AA). For further details, refer page 69.

COMMISSION

If the terms and conditions of service are such that commission is not paid as bounty benefit but is paid as part and parcel of the remuneration for services rendered by the employee, such payment would be in the nature of salary rather than a benefit or perquisite. For example, if an employee is appointed on a fixed monthly remuneration plus a commission of 1% on sales, the commission being part of his remuneration, will not be a benefit, amenity or perquisite but will be regarded as remuneration. If however, on the terms and conditions of service either there is no obligation on the employer to pay the commission or it is a matter purely at the discretion of the employer, such payment would be treated as a benefit by way of addition to salary rather than in lieu of salary.

BONUS

The payment of bonus will be treated as salary and not as a benefit or perquisite in the following type of cases:

- Payment of bonus made under a service agreement between the employer and the employee;
- Bonus paid under the Payment of Bonus Act, 1965;
- Bonus paid in accordance with the decision of a trade association which is binding on its members;
- Bonus paid as an award by a Labour Tribunal where the award is binding on the employer and the employees.

If the bonus is paid gratuitously without there being any legal or contractual obligation, the payment will be in the nature of a perquisite or benefit.

COMPENSATORY ALLOWANCE

Compensatory allowances to meet expenses wholly, necessarily and exclusively incurred by the employee in the performance of duties (conveyance allowance) or to meet expenses at the place of employment (city compensatory allowance) or at a place where he resides are treated as income under section 2(24) (iia) and (iib)⁴. However, such of those allowances as are notified by the Central Government will be exempt under section 10(14).

The following allowances have been notified as exempt u/s. 10(14) Vide Notification No. S.O. 143(E)/144(E), dated 21st February, 1989, 606(E), dated 9th June, 1989, 259(E), dated 27-3-1990, 267(E), dated 29-3-1990 & 487(E), dated 1-7-1992.

(1) SPECIAL ALLOWANCES EXEMPT U/S. 10(14)(i) [VIDE NOTIFICATION No. S.O. 143(E) & 267(E)]:

- any allowance (by whatever name called) granted to meet the cost of travel on tour or on transfer.

Explanation.—For the purposes of this clause, "allowance granted to meet the cost of travel on transfer" includes any sum paid in connection with transfer, packing and transportation of personal effects on such transfer;

- any allowance, whether granted on tour or for the period of journey in connection with transfer, to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty;

- any allowance (by whatever name called) granted to meet the expenditure incurred on a helper where such helper is engaged for the performance of the duties of an office or employment of profit;

- any allowance (by whatever name called) granted for encouraging the academic, research and other professional pursuits;

- any allowance (by whatever name called) granted to meet the expenditure incurred on the purchase or maintenance of uniform for wear during the performance of the duties of an office or employment of profit.

(2) CONVEYANCE ALLOWANCE EXEMPT U/S. 10(14)(i) [VIDE NOTIFICATION No. 606(E)]:

Any allowance granted to meet the expenditure incurred on conveyance in the performance of the duties of an office or employment of profit, for the purposes of the said sub-clause for the assessment year 1989-90 and subsequent years.

(3) ALLOWANCES EXEMPT U/S. 10(14)(ii) AS PER CHART BELOW:

[Vide Notification No. S.O. 144(E) as Amended by Notification No. S.O. 259(E) W.e.f. 1-4-1990 & No. 487(E)]

Nature of allowance	Place	Maximum amount exempt
1. Any special Compensatory Allowance in nature of Composite Hill Compensatory Allowance or High Altitude Allowance or Uncongenial Climate Allowance or Snow Bound Area Allowance or Avalanche Allowance	The places have been categorised into three groups as under: I. Certain areas* of Manipur, Arunachal Pradesh, Sikkim, Uttar Pradesh, Himachal Pradesh and Jammu & Kashmir. II. Siachen area of Jammu & Kashmir III. All places located at a height of 1000 metres or more above the sea level, other than places specified at (I) & (II) above.	Rs. 600/- per month. Rs. 1,200/- per month. Rs. 150/- per month.

4. Allowance like uniform/attire allowance, books/periodicals allowance, entertainment allowance, furnishing allowance, etc. will be covered u/s. 2(24)(iia). Similarly allowances like dearness allowance, city compensatory allowance, etc. will be covered u/s. 2(24)(iib) [Vide Circular No. 537 dt. 12-7-1989. Refer 179 ITR (St.) 2]. Reimbursement of tuition fee is not exempt from tax [Vide para (viii) of Circular No. 629 dt. 31-7-92, 197 ITR (St.) 72].

5. For areas specified in Category I, refer notification No. 259(E) [183 ITR (St.) 3].

Nature of allowance	Place	Maximum amount exempt
2. Any special Compensatory Allowance in nature of border area allowance or remote area allowance or difficult area allowance or disturbed area allowance.	The places have been categorised into five groups as under: (A) [For places refer ⁶] (B) [For places refer ⁶] (C) [For places refer ⁶] (CC) Jog Falls in Shimoga District of Karnataka (D) [For places refer ⁶]	Rs. 650/- per month. Rs. 525/- per month. Rs. 375/- per month. Rs. 300/- per month. Rs. 100/- per month.
3. Tribal Area Allowance.	Madhya Pradesh, Tamil Nadu, Uttar Pradesh, Karnataka, Tripura, Assam, West Bengal, Bihar & Orissa.	Rs. 100/- per month.
4. Any allowance granted to an employee working in any transport system to meet his personal expenditure during his duty performed in the course of running of such transport from one place to another place: Provided that such employee is not in receipt of daily allowance (by whatever name called) in respect of said duty performed by him ⁷	Whole of India	70% of such allowance upto a maximum of: (a) Rs. 1,000/- per month, (b) Rs. 3,000/- per month. ⁷
5. Children Educational Allowance.	Whole of India.	Rs. 50/- per month per child up to a maximum of 2 children.
6. Any allowance granted to an employee to meet the hostel expenditure on his child.	Whole of India.	Rs. 150/- per month per child upto a maximum of 2 children.

GRATUITIES

Under section 10(10) of the Income-tax Act, 1961 gratuities received by different categories of employees are exempt from tax to the extent mentioned below:

(1) Death-cum-retirement gratuity:

Death-cum-retirement gratuities received by the employees of the Central Government, State Governments, local authorities and members of the Defence Services are totally exempt from tax under section 10(10)(i) of the Income-tax Act and should not, therefore, be included in the salary income.

It may be mentioned here that u/s. 10(15)(iv)(i), interest earned by employees of the Central or State Government or a public sector company on deposit of moneys due to them on their retirement whether on superannuation or otherwise, in the scheme notified by the Central Government [Vide Notification No. G.S.R. 598 (E). Refer 182 ITR (St.) 63] is fully exempt. The deposit itself is exempt from wealth-tax without any monetary limit.

(2) Gratuity received under the Payment of Gratuity Act, 1972:

Such gratuity is, however, exempt from tax to the extent it does not exceed the amount in accordance with the provisions of sub-sections (2) & (3) of section 4 of the Payment of Gratuity Act, 1972, as provided in section 10(10)(ii) of the Income-tax Act. The gratuity exempt from tax is accordingly to be calculated as discussed hereunder:

According to section 4 of the Payment of Gratuity Act, 1972, gratuity shall be payable to an employee on the termination of his employment after he has rendered continuous service for not less than five years.

Sub-sections (2) & (3) of section 4 of the Payment of Gratuity Act, 1972 further state that the employer shall pay gratuity to an employee at the rate of fifteen days' wages for each completed year of service or part thereof in excess of six months on the basis of wages last drawn by the employee concerned or Rs. 50,000^{7a}, whichever is less.

Under section 2(s) of the Payment of Gratuity Act, 1972, the word "wages" is defined as under:

"Wages" means all emoluments which are earned by an employee while on duty or on leave in accordance with the terms and conditions of his employment and which are paid or are payable to him in cash and includes dearness allowance but does not include any bonus, commission, house rent allowance, overtime wages and any other allowance.

6. For places mentioned in Group (A), (B), (C) and (D) refer Notification No. S.O. 144(E) [176 I.T.R. (St.) 133] & S.O. 259(E) [183 ITR (St.) 3].

7. Inserted vide Notification No. S.O. 487(E), dated 1st July, 1992 [196 ITR (St.) 32].

7a. Refer footnote No. 7b on page 65.

The extent of exemption for gratuity for the purposes of Income-tax Act is as under:

- (a) For every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned [Section 4(2) of the Payment of Gratuity Act, 1972] 15 days' wages
OR
(b) The amount of gratuity payable to an employee subject to a maximum of [Section 4(3) of the Payment of Gratuity Act, 1972] Rs. 50,000^{7b}

whichever is less of (a) & (b).

EXAMPLE: Shri A an employee completed 30 years and 7 months of service with C & Co. Ltd., and at the time of retirement he received Rs. 40,000 as gratuity under the Payment of Gratuity Act, 1972. He retired in the month of January, 1994. His monthly wages on the date immediately preceding the date of retirement was Rs. 1,950. The gratuity payable under section 4(2) of the Payment of Gratuity Act, 1972 is as under:

- (a) The period of service 30 years & 7 months
(b) No. of completed years of continuous service under the Payment of Gratuity Act, 1972 31 years
(c) Wages drawn preceding the date of retirement Rs. 1,950 per month

Gratuity exempt:

1. Wages per day Rs. $1,950 \div 26^8 =$ Rs. 75
2. Multiply each day's wages by 15 Rs. $75 \times 15^9 =$ Rs. 1,125
3. Multiply 15 days' wages by 31 Rs. $1,125 \times 31^{10} =$ Rs. 34,875

For the assessment year 1994-95, the gratuity exempt from income-tax will be Rs. 34,875 as the said amount is in accordance with the provisions of the Payment of Gratuity Act, 1972.

The balance of Rs. 5,125 (Rs. 40,000 less Rs. 34,875) paid under section 4(5) of the Payment of Gratuity Act, 1972 does not qualify for exemption under the Income-tax Act and the same is to be included under the head "Salaries".

(3) Gratuity received by employees of private sector and statutory corporations:

Gratuity received on retirement, incapacitation, death of the employee or termination of his employment¹¹ is exempt under section 10(10)(iii) of the Income-tax Act to the extent mentioned below:

Gratuity not exceeding one-half month's salary for each year of completed service calculated on the basis of average salary for ten months immediately preceding the month in which any such event occurs, subject to such limit as may be notified by the Central Government (at present such limit is Rs. 1,00,000¹²).

"Salary" for the purposes of gratuity received by (i) employees of statutory corporations, and (ii) employees in private sector includes dearness allowance, if the terms of employment so provide but excludes all other allowances and perquisites [Vide Explanation to clause (iii) of section 10(10)].

Where gratuity is received by an employee from two or more employers in the same year, the maximum amount of gratuity exempt from tax shall not exceed Rs. 1,00,000. In cases where an employee who has received gratuity in any earlier year from his former employer or employers, receives gratuity from another employer in a later year, the limit of Rs. 1,00,000 will be reduced by the amount of gratuity which has been exempted in any earlier year or years [Vide 1st and 2nd proviso to clause (iii) of section 10(10)].

EXAMPLE: Shri A an employee completed 38 years of service with B & Co. Ltd. and at the time of retirement on 31-3-1994, he received Rs. 70,000 as gratuity. His average salary in the immediately preceding ten months was Rs. 30,000 (i.e. from 1-5-1993 to 28-2-1994).

Average salary per month i.e. Rs. 30,000 ÷ 10 months	Rs. 3,000
Gratuity qualifying for exemption is ½ month's average salary Rs. 1,500 × 38 years of service = Rs. 57,000 subject to ceiling amount of Rs. 1,00,000	Rs. 57,000
Gratuity received	Rs. 70,000
Less: Gratuity qualifying for exemption	Rs. 57,000
Gratuity to be included in the salary income	Rs. 13,000

7b. The ceiling limit of Rs. 50,000 is proposed to be increased to Rs. 1,00,000 by the Payment of Gratuity (Amendment) Bill, 1993 as passed by the Rajya Sabha on 23-12-1993.

8. As per Explanation to section 4(2) of the Payment of Gratuity Act, 1972.

9. This represents fifteen days' wages.

10. This represents the no. of completed years of continuous service.

11. The Central Board of Direct Taxes has clarified that the expression 'termination of employment' used in section 10(10) of the Income-tax Act, covers the case of an employee whose services comes to an end due to resignation [Vide Circular F. No. 194/8/73-IT(AI) dt. 19-6-73].

12. Vide Notification No. G.S.R. 405, dt. 28th April, 1988 issued u/s. 10(10)(iii) of the Income-tax Act [172 ITR (St.) 76].

The amount of Rs. 13,000 will, however, be included in the salary for the period from 1-4-1993 to 31-3-1994 and the income under the head "Salaries" is to be computed for the assessment year 1994-95 as under:

Salary from 1-4-1993 to 31-3-1994	Rs. 36,000
Gratuity for inclusion in the salary income as computed on page 65	Rs. 13,000
Base for deduction u/s. 16(i) & 16 (iii)	Rs. 49,000
Less: (1) Standard deduction under section 16(i)¹³:	
@ 33 1/3% of salary of Rs. 49,000	Rs. 16,333
	Rs. 15,000
(2) Maximum deduction restricted to	Rs. 15,000
(2) Deduction under section 16(iii):	
Professional tax paid (say)	Rs. 480
	Rs. 15,480
Taxable salary for assessment year 1994-95	Rs. 33,520

Relief when salary, etc., is paid in arrears or in advance:

[Section 89(1)]

Where, by reason of any portion of an assessee's salary being paid in arrears or in advance or by reason of his having received in any one financial year salary for more than 12 months or a payment which under the provisions of clause (3) of section 17 is a profit in lieu of salary, his income is assessed at a rate higher than that at which it would otherwise have been assessed, the Assessing Officer shall, on an application made to him in this behalf, grant relief under Rule 21A of the Income-tax Rules, 1962.

A government servant or an employee in a public sector undertaking, company, co-operative society, local authority, University, institution, association or body, if he is entitled to relief under section 89(1), he may furnish to the employer, such particulars, in the prescribed Form No. 10E. The employer in such a case shall compute the relief u/s. 89(1) on the basis of such particulars and take it into account while deducting tax at source [Vide section 192(2A)].

According to Circular No. 431 dt. 12-9-1985 [Refer 156 ITR (St.) 82] the relief under section 89(1) read with Rule 21A of the Income-tax Rules will also be admissible in respect of encashment of leave salary by an employee while in service.

RELIEF UNDER SECTION 89(1) READ WITH RULE 21A:

(A) In respect of salary paid in arrears or in advance:

Relief under section 89(1) read with Rule 21A(1) (a) is to be computed in the following manner:

- Find out the tax on total income of the previous year in which the salary is received in arrears or in advance (such salary being hereafter referred to as the "additional salary").
- Find out the tax on total income as reduced by additional salary of the previous year.
- From the amount arrived at in (i), deduct the amount arrived at in (ii).
- The resultant figure of (iii) is the *tax on additional salary*.
- Ascertain the previous years to which the additional salary relates and add the respective amount of additional salary in respective preceding previous years.
- Find out the tax on total income as increased by the relevant additional salary in respect of each of such previous years.
- Find out the tax on the total income (without the addition of additional salary) of each of the said previous years.
- From the amount so arrived at in (vi), deduct the amount arrived at in (vii).
- The resultant figure arrived at in (viii) is the *aggregate tax on additional salary*.
- The relief under section 89(1) is the difference of (iv) & (ix).

EXAMPLE: For the financial year ending on 31-3-1994, the total (taxable) income of Mr. A an employee is Rs. 82,500 which is inclusive of arrears of salary for the financial years ending on 31-3-1991, 31-3-1992 and 31-3-1993 in an amount of Rs. 5,000, Rs. 7,500 & Rs. 10,000 respectively and the relevant total (taxable) income of the said years after exhausting the monetary ceiling limit of deduction u/s. 16(i) is Rs. 24,000, Rs. 29,000 and Rs. 40,000. Relief u/s. 89(1) is to be worked out as under:

Total (taxable) income (excluding salary received in arrears)	Rs. 60,000
Add: Salary received in arrears for year ending 31-3-91 to 31-3-93	Rs. 22,500
Total (taxable) income for the financial year ending on 31-3-94	Rs. 82,500

13. Standard deduction u/s. 16(i) is to be allowed on % age basis to all the employees, whether they are provided with any conveyance or not by the employer.

Tax on Rs. 82,500 being the total (taxable) income is Rs. 13,750 less Rs. 800 [being rebate (deduction) u/s. 88 @ 20% of the contribution to provident fund Rs. 4,000] Rs. 12,950(i)
 Less: Tax on Rs. 60,000 being the total (taxable) income is Rs. 7,000 less Rs. 800 [being rebate (deduction) u/s. 88 @ 20% of the contribution to provident fund Rs. 4,000] Rs. 6,200(ii)

Tax on additional salary (i.e., salary received in arrears) Rs. 6,750(iv)

Financial year ending on	Assessment year	Total (taxable) income	Arrears of salary	Total of column 3 & 4	Tax in respect of col. 5	Tax in respect of col. 3	Difference of column 6 & 7
1	2	3	4	5	6	7	8
31-3-1991	1991-92 (v)	Rs. 24,000	Rs. 5,000	Rs. 29,000	†Rs. 1,100 (vi)	†Rs. 100 (vii)	Rs. 1,000 (viii)
31-3-1992	1992-93 (v)	Rs. 29,000	Rs. 7,500	Rs. 36,500	†Rs. 3,050 (vi)	†Rs. 900 (vii)	Rs. 2,150 (viii)
31-3-1993	1993-94 (v)	Rs. 40,000	Rs. 10,000	Rs. 50,000	*Rs. 3,800 (vi)	*Rs. 1,800 (vii)	Rs. 2,000 (viii)
					<u>Rs. 7,950</u>	<u>Rs. 2,800</u>	<u>Rs. 5,150 (ix)</u>

Less: Aggregate tax on additional salary as per column 8 Rs. 5,150(ix)

The relief under section 89(1) in respect of employee's salary received in arrears or in advance is Rs. 1,600(x)

† Tax on Rs. 29,000 is Rs. 1,400 and on Rs. 24,000 is Rs. 400, respectively, less Rs. 300 [being rebate u/s. 88 @ 20% of the contribution to provident fund Rs. 1,500].

† Tax on Rs. 36,500 is Rs. 3,550 and on Rs. 29,000 is Rs. 1,400 respectively, less Rs. 500 [being rebate u/s. 88 @ 20% of the contribution to provident fund Rs. 2,500].

* Tax on Rs. 50,000 is Rs. 4,400 and on Rs. 40,000 is Rs. 2,400, respectively, less Rs. 600 [being rebate u/s. 88 @ 20% of the contribution to provident fund Rs. 3,000].

Note: Under section 89(1), an employee is required to make an application to the Assessing Officer for the grant of relief in respect of arrears of salary for the assessment year 1994-95. For the purposes of deduction of tax at source u/s. 192(1), certain categories of employers have been empowered to allow the relief u/s. 89(1) to its employees subject to the condition that employee files particulars in the prescribed Form No. 10E to the employer [Section 192(2A)]. For explanatory notes on this section, refer page 66].

(B) In respect of gratuity:

The relief admissible under section 89(1) read with Rule 21A(1)(b) is to be worked out in the manner explained hereunder:

(a) Where the payment of gratuity is made in respect of past services of an employee extending over a period of *not less than 15 years*:

(1) Find out the tax on total income [including therein the amount of gratuity which is not exempt u/s. 10(10)(iii)] of the previous year in which the gratuity is received.

(2) To find out the average rate of tax on total income, divide the tax arrived at in (1) by total income of the previous year in which gratuity is received.

(3) To find out the tax payable on the gratuity, multiply the average rate of tax arrived at in (2) by the amount of gratuity.

(4) Add one-third of the amount of gratuity to the total income of each of the three years immediately preceding the previous year in which the payment by way of gratuity is made.

(5) Find out the tax on total income, of each of the three preceding previous years, arrived at in (4).

(6) To find out the average rates of tax on total income of each of the three preceding previous years, divide the tax computed in (5) of the relevant previous year by the total income of that year.

(7) Total the average rates of tax of these three years and divide the result by three in order to find out the average of these three average rates of tax.

(8) To find out the tax payable on the gratuity, multiply the average of the three average rates of tax arrived at in (7) by the amount of gratuity.

(9) The relief u/s. 89(1) is the difference between the tax on gratuity as computed in (3) and (8).

(b) Where the payment by way of gratuity is made in respect of the past services of an employee extending over a period of *not less than 5 years but less than 15 years*, the method for calculating the relief will be the same as shown in (a) above except that the total income of each of the two immediately preceding previous years (instead of three) is to be increased by an amount equal to one-half (instead of one-third) of the amount of the gratuity.

(c) Where the payment of gratuity is in respect of past services of *less than 5 years*, no relief is admissible u/s. 89(1).

(C) In respect of compensation:

The relief admissible under section 89(1) read with Rule 21A(1)(c) is to be worked out in the manner explained hereunder:

Where the payment of compensation is received by an assessee from his employer or former employer at or in connection with the termination of his employment after continuous service for *not less than 3 years* and where the *unexpired portion of his term of employment* is also not less than 3 years.

The method for calculating relief under section 89(1) is the same as stated in steps (1) to (9) of item "(B) in respect of gratuity" (above) except that wherever the word "gratuity" appears, the same may be substituted by the word "compensation".

Retrenchment compensation

Retrenchment compensation received by a workman from his employer under the Industrial Disputes Act, 1947, or under any other Act or award or contract of service, etc. is exempt from tax under section 10(10B). The exemption is limited to the amount calculated in accordance with the provisions of section 25F(b) of the Industrial Disputes Act, 1947, subject to a monetary ceiling of such amount, not being less than Rs. 50,000, as may be notified by the Central Government.

However, where the retrenchment compensation is paid under a scheme approved by the Central Government, the whole of the compensation will be exempt without any monetary ceiling.

Voluntary retirement¹⁴

From assessment year 1993-94 and onwards¹⁴, any amount received by an employee of : (1) a public sector company; or (2) any other company; or (3) an authority established under a Central, State or Provincial Act; or (4) a local authority, at the time of his voluntary retirement in accordance with any scheme or schemes of voluntary retirement is exempt to the extent such amount does not exceed Rs. 5,00,000. Voluntary retirement scheme is to be framed in accordance with the guidelines prescribed under Rule 2BA^{14a} of the Income-tax Rules, 1962. However, in the case of an employee of a company (other than a public sector company), such scheme is to be approved by the Chief Commissioner/Director-General. Where exemption has been allowed to an employee under clause (10C) for any assessment year, no exemption thereunder shall be allowed to him in relation to any other assessment year [Section 10(10C)].

Upto assessment year 1992-93, any payment received by an employee of a public sector company at the time of his voluntary retirement under a scheme approved by the Central Government is wholly exempt without any monetary limit [Section 10(10C)].

APPROVED SUPERANNUATION FUND

Any payment from an approved superannuation fund made:

- (a) on the death of a beneficiary (i.e. widows, children or dependents of an employee), or
 - (b) to an employee in lieu of or in commutation of an annuity on his retirement at or after a specified age or on his becoming incapacitated prior to such retirement [subject to a maximum of one-third (if gratuity is also payable) or one-half (in any other case) of such annuity], or
 - (c) by way of refund of contributions on the death of a beneficiary,
- is exempt from income-tax under section 10(13) of the Income-tax Act, 1961.

Superannuation fund may be set up by the employer for the sole purpose of providing annuities for employees on their retirement at or after a specified age or on their becoming incapacitated prior to such retirement, or for widows, children or dependents of persons who are or have been such employees on the death of those persons. Such a fund should be got approved by the Chief Commissioner or Commissioner of Income-tax by following the procedure prescribed in Part B of the Fourth Schedule to the Income-tax Act read with Rules 82 to 97 of the Income-tax Rules.

The fund is funded by employer's and employee's contribution. The employee's contribution qualifies for rebate u/s. 88 [refer item 5 on page 208]. The contribution that can be made by the employer is upto 25% of employee's salary for each year as reduced by employer's contribution to the provident fund of such employee for that year [Rule 87 of the Income-tax Rules]. Employer's contribution will not be treated as prerequisite [Section 17(2)(v)].

Under Rule 90 of the Income-tax Rules, any payment in commutation of annuity shall not exceed—

- (1) in a case where the employee receives any gratuity, the commuted value of one-third of the annuity receivable, and
- (2) in any other case, the commuted value of one-half of the annuity receivable..

The annuity payable year after year out of the fund to the employee, if taxable; is eligible for standard deduction u/s. 16(i). Any payment out of the fund, if liable to be taxed, the trustees of the fund will have to deduct tax at source u/s. 192(5) read with rule 6 of the Part B of the Fourth Schedule to the Income-tax Act, 1961. Where an employee leaves one employment and takes up another employment and the first employer transfers the fund in respect of that employee to the fund of the second employer, such transfer will not be liable for deduction of tax at source. That is, it will not be treated as income of the employee and will be exempt u/s. 10(13) [CBDT's F.No. 216/15/78 AII dt. 13-1-1982].

14. From assessment year 1995-96 and onwards, the exemption available u/s. 10(10C) in respect of payments made under 'Voluntary retirement schemes' have been extended also to employees of other categories of employers. For details refer Para 1.1 on page 88.

14a. For text of Rule 2BA, refer page 83. For Board's clarification on Rule 2BA, see Circular No. 640, dt. 26-11-1992 [199 ITR (St.) 2]

EXEMPTION OF AMOUNT RECEIVED BY WAY OF ENCASHMENT OF UNUTILISED EARNED LEAVE BY RETIRING EMPLOYEES:**[Section 10(10AA)]**

Cash equivalent of leave salary received only *at the time of retirement*¹⁵ whether on superannuation or otherwise is wholly exempt in the case of Central or State Government employees. For others, cash equivalent of leave salary received *at the time of retirement*¹⁵ whether on superannuation or otherwise is exempt subject to certain conditions and limits explained hereunder:

(1) Earned leave entitlement must not exceed 30 days for every year of actual service rendered by him as an employee of the employer from whose service he has retired.

(2) Earned leave so encashed must not be for more than 8 months.

(3) Leave salary must be based on average salary drawn by the employee during ten months immediately preceding his retirement.

(4) The sum so payable shall not exceed Rs. 79,920, where the employee retires on or after 1-1-1988¹⁶.

(5) Even if the non-Government employee has received the sum from different employers in different or in the same previous year, the ceiling limit stated in (4) above will be applied on all such payments put together if such payment received earlier had not been taxed.

"Salary" includes dearness allowance, if the terms of employment, so provide, but excludes all other allowances and perquisites [Rule 2(h) of Part A of the Fourth Schedule] [Vide Explanation to section 10(10)].

EXAMPLES:

1. Shri A, an employee of Messrs. C. & Co. Limited, at the time of retirement was paid Rs. 60,000 as cash equivalent of earned leave to his credit. He retired on 31st January, 1994. His monthly salary at the time of retirement was Rs. 6,000. He was drawing this sum from March 1993 onwards. The earned leave to his credit at the time of retirement was 10 months. The company allows earned leave at the rate of one month for every year of actual service.

Average salary for preceding 10 months	Rs. 6,000 per month
Maximum period of leave that can be encashed	8 months
(a) Leave salary admissible: 8 months × Rs. 6,000	Rs. 48,000
(b) Maximum exemption permissible	Rs. 79,920
Lower of (a) and (b) viz. Rs. 48,000 qualifies for exemption	Rs. 48,000

Out of Rs. 60,000 received only Rs. 48,000 will be exempt under section 10(10AA) and the balance Rs. 12,000 will be taxed as salary income for the assessment year 1994-95. Thus, the total gross salary would be Rs. 72,000 (Rs. 6,000 × 10 months + Rs. 12,000).

2. Mr. B, an employee of Messrs. B & Co. Limited, retired on 28-2-1994 after 20 years of service. Earned leave at his credit was 9 months upto the date of his retirement. He had taken 630 days of leave. He was entitled to 1½ month's leave for every completed year of service. His salary was Rs. 2,000 per month which he was drawing for the last 10 months. The company paid him Rs. 18,000 as cash equivalent of leave at his credit.

Leave entitlement:

Total service	20 years
Leave entitlement restricted to 30 days for every year of actual service (30 days × 20 years)	600 days
Less: leave taken during entire service	630 days
Leave at his credit	Nil

Mr. B is not entitled to exemption under section 10(10AA) in this example as the leave at his credit calculated according to Explanation to section 10(10AA) is less than the leave already taken.

3. If, in the above example, Mr. B had taken only 540 days leave (while in service) then:

Leave at his credit (600 days less 540 days)	60 days (i.e. 2 months)
Leave encashment exempt under section 10(10AA): 2 months × Rs. 2,000	Rs. 4,000

The balance of Rs. 14,000 (Rs. 18,000 less Rs. 4,000) will be taxed as salary income for the assessment year 1994-95.

NOTE: Cash equivalent of leave salary payable on the death of a Government servant to his legal heirs is not liable to income-tax [Vide circular No. 309 dated 3-7-1981 – 132 I.T.R. (St.) 3]. This is because the receipt in the hands of the family is not in the nature of one from an employer to an employee. On the same analogy, in my opinion, cash equivalent of leave salary payable on the death of any other employee to his legal heirs would also not be liable to income-tax.

15. Clause (1) of section 17 provides that the encashment of earned leave while in service will be treated as salary.

16. Vide Notification No. S.O. 553(E), dt. 8-6-88 issued u/s. 10(10AA)(ii) of the Income-tax Act [Refer 172 I.T.R. (St.) 76].

Classification of perquisites

It is important to note that under section 17(2), perquisites are classified as under:

- (i) the value of rent-free accommodation provided to the assessee by his employer;
- (ii) the value of any concession in the matter of rent in respect of any accommodation provided to the assessee by his employer;
- (iii) the value of any benefit or amenity granted free of cost or at a concessional rate to the following categories of employees:—

- (a) a director of a company;
- (b) an employee of a company who has substantial interest in the company, i.e., an employee who is the beneficial owner of at least 20% of the ordinary shares; and
- (c) any other employee whose income under the head "salaries" exclusive of all non-monetary benefits or amenities exceeds Rs. 24,000 in relation to the aggregate salary due to, or received by, an employee from one or more employers. In other words, where the salary of any other employee is less than Rs. 24,000, the value of any benefit or amenity granted free of cost or at a concessional rate will be exempt unless the benefit or amenity is of obligatory nature referred to in (iv) hereafter.

The use of the employer's vehicle for journey by the employee from his residence to his office or other place of work, or from such office or place to his residence, will not be regarded as benefit or amenity granted free of cost or at concessional rate to the employee.

(iv) any sum paid by the employer in respect of any obligation which, but for such payment would have been payable by the assessee. For example, the amount of an employee's club fees, tax dues, the sum spent on the education of an employee's children and the sums spent on gas, electric energy and water are a few instances of such obligatory payments.

(v) any sum payable by the employer, whether directly or through a fund (other than recognised provident fund or an approved superannuation fund), to effect an assurance on the life of the assessee or to effect a contract for an annuity.

VALUATION OF PERQUISITES

For the purpose of computing the income chargeable under the head "Salaries", it is necessary to determine the value of the perquisites which are not provided by way of monetary payment to the employee. The mode of valuation of such perquisites has accordingly been prescribed under Rule 3 of the Income-tax Rules, 1962. Under this rule, the valuation is to be made as explained hereunder.

(i) Value of perquisite in respect of rent-free quarters:

For Government employees:

[Refer Rule 3(a)(i) of the Income-tax Rules, 1962]

(i) Where the accommodation is provided—

- (a) by Government to a person holding an office or post in connection with the affairs of the Union or of a State;
 - (b) by a body or undertaking under the control of Government to any officer of Government whose services have been lent to that body or undertaking (the accommodation itself having been allotted to it by Government),
- the value of rent-free residential accommodation shall be determined as under:

- (1) if the accommodation is unfurnished, the rent which has been or would have been determined as payable by such person or officer in accordance with the rules framed by Government for allotment of residence to its officers;
- (2) if the accommodation is furnished, an amount calculated in accordance with (1) above plus 10% per annum of the original cost of the furniture (including television sets, radio sets, refrigerators, other household appliances and air-conditioning plant or equipment) or if such furniture is hired from a third party, the actual hire charges payable therefor.

For employees of Reserve Bank of India & public sector companies or corporation:

[Refer Rule 3(a)(ii) of the Income-tax Rules, 1962]

(ii) Where the accommodation is provided—

- (a) by the Reserve Bank of India or by a corporation established by a Central, State or Provincial Act, or by a company in which all the shares are held by the Government or the Reserve Bank of India or a corporation owned by that Bank, to any person employed by it;
- (b) by a company in which all the shares are held by a corporation referred to in (a) above, to any person employed by it;
- (c) by a body or undertaking financed wholly or mainly by the Government, to any person employed by it;
- (d) by a company in which not less than 40% of the shares are held (whether singly or taken together) by the Government or the Reserve Bank of India or a corporation owned by that Bank, to any officer of the Government whose services have been lent to it or to any person employed by it after his retirement from the service of the Government.

the value of rent-free accommodation shall be determined on the basis provided hereunder:

(1) if the accommodation is unfurnished, 10% of the salary due to such person in respect of the period during which the accommodation was occupied by him during the previous year. However, such valuation will be restricted to the fair rental value of the accommodation, if such value is less than 10% of the salary of the employee;

(2) if the accommodation is furnished, an amount calculated in accordance with (1) above plus 10% per annum of the original cost of the furniture (including television sets, radio sets, refrigerators, other household appliances and air-conditioning plant or equipment) or if such furniture is hired from a third party, the actual hire charges payable therefor.

For Judges of the High Court & Supreme Court:

The value of rent-free official residence provided to a judge or the allowance paid to him shall not be included in computing the income chargeable under the head "Salaries". Refer High Court and Supreme Court Judges (Conditions of Service) Amendment Act, 1980.

For Officers of Parliament:

The value of rent free furnished residence (including maintenance thereof) provided to an officer of Parliament shall not be included in the computation of his income chargeable under the head "Salaries" u/s. 15 of the Income-tax Act, 1961. Refer Salaries and Allowances of Officers of Parliament (Amendment) Act, 1990 [185 ITR (St.) 47].

For private sector employees:

[Refer Rule 3(a)(iii) of the Income-tax Rules, 1962]

The value of perquisite in respect of rent-free accommodation which is not furnished is ordinarily 10% of the salary due to the employee in respect of the period during which the said accommodation was occupied by him during the previous year.

Where the fair rental value of rent-free accommodation which is not furnished is in excess of 10% of the employee's salary, the value of perquisite is to be determined for certain cities and other places as under:

For Bombay, Calcutta, Delhi & Madras

10% of salary

&

excess over 60% of salary¹⁷

For any other place

10% of salary

&

excess over 50% of salary¹⁷

Where the fair rental value of the accommodation is less than 10% of the employee's salary, the value of perquisite to be taken is the fair rental value.

EXAMPLE:

Salary	Rs. 60,000
Fair rent of the unfurnished accommodation	Rs. 5,400
10% of salary	Rs. 6,000

*As 10% of salary viz. Rs. 6,000 is in excess of the fair rental value of Rs. 5,400, the value of perquisite to be adopted is the fair rental value i.e. Rs. 5,400.

Where the accommodation is furnished, the value of rent-free accommodation shall be the aggregate of the following sums, namely:

- (i) the fair rental value arrived at as explained above as if the accommodation were not furnished; and
- (ii) the fair rent for the furniture (including television sets, radio sets, refrigerators, other household appliances and air-conditioning plant or equipment) calculated @ 10% per annum of the original cost of such furniture or if such furniture is hired, the actual hire charges payable therefor.

"Salary" defined for the purposes of Rule 3(a):

For the purposes of adopting the value of rent-free residential accommodation, "salary" includes the pay, allowances, bonus or commission payable monthly or otherwise, but does not include the following, namely:

- (i) dearness allowance or dearness pay unless it enters into the computation of superannuation or retirement benefits of the assessee concerned;
- (ii) employer's contributions to the provident fund account of the assessee;
- (iii) allowances which are exempted from payment of tax;
- (iv) any allowance in the nature of an entertainment allowance, to the extent such allowance is deductible under clause (ii) of section 16.

The above definition of "salary" is also applicable to residential accommodation provided at a concessional rent under the provision of Rule 3(b) of the Income-tax Rules.

Fair rental value:

For the purposes of rent-free residential accommodation, the fair rental value of accommodation (which is not furnished) shall be the rent which a similar accommodation would realise in the same locality or the municipal valuation in respect of the accommodation, whichever is higher.

EXAMPLE: Shri Joshi is an employee of a company and he is in receipt of the following:

1. Salary Rs. 2,500 per month	Rs. 30,000
Dearness allowance (not eligible for computation of superannuation or retirement benefits)	Rs. 6,000
Bonus equivalent to 2 months' salary	Rs. 5,000
Entertainment allowance (not exempt as he was not receiving it prior to 1-4-1955)	Rs. 3,000
Conveyance allowance	Rs. 1,000

2. Perquisite:

He is also provided with rent-free furnished accommodation. The rental value of unfurnished accommodation is Rs. 25,000. The cost of furniture and household appliances allowed for the use of the employee is Rs. 16,000.

The value of perquisite in respect of rent-free accommodation is to be adopted as under:

*If the accommodation is provided in city like Bombay, Calcutta,
Delhi & Madras*

1. 10% of Rs. 38,000 (Salary, Bonus & Entertainment allowance)	Rs. 3,800
2. Rental value of the accommodation	Rs. 25,000
Less: 60% of salary of Rs. 38,000	Rs. 22,800
	Rs. 2,200
3. 10% of the original cost of furniture and household appliances viz. Rs. 16,000.	Rs. 1,600
Value of perquisite	Rs. 7,600

*If the accommodation is in places other than Bombay, Calcutta,
Delhi & Madras*

1. 10% of Rs. 38,000 (Salary, Bonus & Entertainment allowance)	Rs. 3,800
2. Rental value of the accommodation	Rs. 25,000
Less: 50% of salary of Rs. 38,000	Rs. 19,000
	Rs. 6,000
3. 10% of the original cost of furniture and household appliances viz. Rs. 16,000.	Rs. 1,600
Value of perquisite	Rs. 11,400

(ii) Value of perquisite in respect of accommodation provided to the employee at concessional rent:
[Refer Rule 3(b) of the Income-tax Rules, 1962]

The value of concession in the matter of rent in respect of any accommodation provided to the employee is treated as perquisite.

The value of perquisite will be calculated in the manner explained in above example and therefrom the rent recovered by the employer will be deducted.

EXAMPLE:

(1) Salary.	Rs. 28,000
(2) Fair rent of the accommodation (unfurnished)	Rs. 18,000
(3) Rent recovered by the employer Rs. 200 per month (Rs. 200 rent × 12 months)	Rs. 2,400

The value of perquisite will be as under:

*If the accommodation is provided in city like Bombay, Calcutta,
Delhi & Madras*

1. 10% of salary of Rs. 28,000	Rs. 2,800
2. Fair Rent	Rs. 18,000
Less: 60% of salary of Rs. 28,000	Rs. 16,800
	Rs. 1,200
Less: Rent recovered	Rs. 2,400
Value of perquisite	Rs. 1,600

*If the accommodation is in places other than Bombay, Calcutta,
Delhi & Madras*

1. 10% of salary of Rs. 28,000	Rs. 2,800
2. Fair Rent	Rs. 18,000
Less: 50% of salary of Rs. 28,000	Rs. 14,000
	Rs. 4,000
Less: Rent recovered	Rs. 2,400
Value of perquisite	Rs. 4,400

(iii) Chart showing the value of perquisite in respect of user of the motor car or any other type of conveyance provided by the employer exclusively or partly for private and personal purposes of the employee:

[Refer Rule 3(c) of the Income-tax Rules, 1962]

[1-4-1990 to 31-3-1995]

Assessment years 1991-92 to 1995-96:

Nature of perquisite

Value of perquisite to be included in salary income

Standard deduction under section 16(i)

(1) Where the motor car is provided by the employer for use by the employee exclusively for his private and personal purposes	The amount actually spent by the employer on the maintenance and running of the motor car including remuneration, if any, paid to the chauffeur plus the amount representing the normal wear & tear of the motor car (i.e. depreciation on motor car) where the motor car is owned by the employer	@33 1/3% of salary or Rs. 15,000 ¹⁸ , whichever is less
(2) Where the motor car is owned or hired by the employer for use by the employee partly in the performance of his duties and partly for his private and personal purposes and all the expenses on the maintenance and running of the car are met or reimbursed to the employee by the employer. The value of the perquisite for partial user of the car for private and personal purposes of the employee will be:		
(a) where the h.p. rating of the car does not exceed 16	Rs. 300 per month plus Rs. 150 per month where the chauffeur is also provided by the employer	@33 1/3% of salary or Rs. 15,000 ¹⁸ whichever is less
(b) where the h.p. rating of the car exceeds 16	Rs. 400 per month plus Rs. 150 per month where the chauffeur is also provided by the employer	
(3) Where the motor car is owned or hired by the employer but the expenses on the maintenance and running for its user for the employee's private or personal purposes are met by the employee:		
(a) where the h.p. rating of the car does not exceed 16	Rs. 100 per month plus Rs. 150 per month where the chauffeur is also provided by the employer	@33 1/3% of salary or Rs. 15,000 ¹⁸ whichever is less
(b) where the h.p. rating of the car exceeds 16	Rs. 150 per month plus Rs. 150 per month where the chauffeur is also provided by the employer	
(4) Where more than one motor car is allowed to be used by the employee partly for office purposes and partly for his personal purposes, he will be deemed to have been provided with one car and if the h.p. rating of any one of such cars exceeds 16, he will be deemed to have been provided with one car of h.p. rating exceeding 16	The value of the perquisite will be computed in the manner laid down in items (2) or (3), as the case may be	@33 1/3% of salary or Rs. 15,000 ¹⁸ whichever is less
(5) Where the employee owns the car but the actual running or maintenance charges are met or reimbursed to the employee by the employer	The sum actually expended by the employer which in the opinion of the Assessing Officer can reasonably be attributed to the user of the car by the employee for his private or personal purposes	@33 1/3% of salary or Rs. 15,000 ¹⁸ whichever is less
(6) Where a motor car or motor cars are provided by the employer partly for the private and personal purposes of the employee at a concessional rate	The value of the perquisite will first be determined in accordance with items (2) or (3) or (4), as the case may be, and the value so determined will then be reduced by the amount payable by the employee	@33 1/3% of salary or Rs. 15,000 ¹⁸ whichever is less
(7) Where motor cycle, scooter or other moped is provided to the employee by his employer for free use by the employee otherwise than wholly & exclusively in the performance of his duties	The sum actually expended by the employer which in the opinion of the Assessing Officer can reasonably be attributed to the user by the employee for his private or personal purposes	@33 1/3% of salary or Rs. 15,000 ¹⁸ whichever is less
(8) Where the motor car is owned by the employer and is used by the employee wholly & exclusively in performance of his duties	Nil Note: This is not a perquisite as the motor car is not used for private purposes	@33 1/3% of salary or Rs. 15,000 ¹⁸ whichever is less

18. For assessment years 1991-92 to 1993-94, standard deduction u/s. 16(i) is 33 1/3% of salary or Rs. 12,000, whichever is less. However, in the case of women employees having total income [before making any deduction u/s. 16(i)] upto Rs. 75,000 will be entitled to standard deduction u/s. 16(i):

(a) for assessment year 1993-94, @ 33 1/3% of salary or Rs. 15,000, whichever is less;
(b) for assessment years 1994-95 and 1995-96, @ 33 1/3% of salary or Rs. 18,000, whichever is less.

EXAMPLE (i):—

Salary Rs. 3,000 per month for the year ending 31-3-1995

Rs. 36,000

The employer has provided a motor car of 14 H.P. with a chauffeur and the same is used by the employee partly for his personal use and partly in the performance of his duties. The running expenses are borne by the employer.

The value of perquisite will be:

The value of perquisite for the user of motor car Rs. 300 × 12 Rs. 3,600

The value of perquisite in respect of chauffeur provided to run the car Rs. 150 × 12 Rs. 1,800

Rs. 5,400

Gross salary income subject to deduction u/s. 16(i) [on % basis of salary] & 16(iii) [for professional tax paid]

Rs. 41,400

EXAMPLE (ii):—

Salary Rs. 3,500 per month for the year ending 31-3-1995.. .. .

Rs. 42,000

The employer has provided a motor car of 14 H.P. (without a chauffeur) and the same is used by the employee partly for his personal use and partly in the performance of his duties. The expenses for personal use are met by the employee.

The value of perquisite will be Rs. 100 × 12

Rs. 1,200

Gross salary income subject to deduction u/s. 16(i) [on % basis of salary] & 16(iii) [for professional tax paid]

Rs. 43,200

Note: The value of conveyance facilities and the sumptuary allowance provided to a judge shall not be included in computing the income chargeable under the head "Salaries" with effect from 1-11-1986. Refer High Court and Supreme Court Judges (Conditions of Service) Amendment Act, 1988.

(iv) The use of a motor car by an employee from his residence to his normal place of his duties and back:

The use of the employer's vehicle for journey by the employee from his residence to his office or other place of work, or from such office or place to his residence, will not be regarded as benefit or amenity granted by the employer and hence value of perquisite will be nil [Explanation to section 17(2)(iii)].

(v) Where transport is provided for a group of employees to the place of employment:

Where transport is provided by the employer for a group of employees for the purposes of going from residence to the place where the duties of employment are to be performed and *vice versa*, the value of perquisite, in my opinion, in such cases will be "nil" as there is no provision in Rule 3(c) for the valuation of such perquisites.

Again, the employee concerned in such cases will be entitled to a standard deduction u/s. 16(i) @ 33 1/3% of salary subject to a maximum of Rs. 15,000¹⁹, from assessment year 1994-95 [Rs. 12,000¹⁹, upto assessment year 1993-94].

(vi) Gas, Electricity, Water, etc. supplied free of charge:

[Refer Rule 3(d) of the Income-tax Rules, 1962]

The value of this perquisite will be as under:—

(a) where gas, electric energy and water are supplied to the employee for his household consumption free of any charge, the value of the benefit shall be taken to be the sum paid on that account by the employer to the agency supplying the gas, electric energy or water;

(b) where such supply is made from resources owned by the employer without purchasing them from any other outside agency (e.g. employer generating its own power) the value of such benefit shall be taken as 'nil';

(c) where gas, electric energy and water are consumed for personal and private purposes of the employee and also for the purposes of his official duties, the Assessing Officer shall determine the value of the benefit for personal use to be the amount paid on that account by the employer or 6 1/4% of the salary of the employee, whichever is less. "Salary" for this purpose has not been defined and has to be given its ordinary meaning, that is, basic salary excluding all allowances, bonus, etc.

Gas, electricity and water charges paid by the employer in so far they are for the protection of the property (e.g. outside lighting) or are connected with the accommodation set apart by the employer for the occupation of guests is not to be regarded as perquisite from the employer.

(vii) Free education:

[Refer Rule 3(e) of the Income-tax Rules, 1962]

The value of benefit to the employee resulting from the provision of free education facilities for any member of his household shall be as under:

(a) when fixed allowance is given by the employer to the employee to meet the cost of education of his children, the full amount of the allowance will be chargeable in the employee's hands as a perquisite;

19. Refer footnote No. 18 on page 73.

(b) where the education fees of the employee's children are paid by the employer directly to the school or college or where the employee incurs the expenses in the first instance and gets the appropriate reimbursement later, such fees paid directly or by reimbursement will be treated as perquisite chargeable in the employee's hands;

(c) where the educational institution is run by the employer for the benefit of the children of his employees, the value of the perquisite shall be taken as a reasonable cost of such education in a similar institution in or near the locality.

It may be noted that specific allowances in the nature of "Children Education Allowance" and "Allowances to meet the hostel expenditure on children" granted to the employee are exempt under the Notification No. 144(E) issued u/s. 10(14)(ii). For text of the Notification, refer pp. 63-64.

(viii) Free transport to employees by an undertaking engaged in the carriage of passengers or goods:

[Refer Rule 3(f) of the Income-tax Rules, 1962]

Where any undertaking engaged in the carriage of passengers or goods has made a provision for journey free of cost or at concessional fares to any of its employee or his dependent relatives in any conveyance owned by the undertaking for the purpose of transport of passengers or goods, the value of such benefit to the employee will be taken to be nil.

(ix) Value of any benefit not included in the preceding clauses:

[Refer Rule 3(g) of the Income-tax Rules, 1962]

This will be determined by the Assessing Officer on such basis and in such amount as he considers fair and reasonable.

(x) Valuation of reimbursement of medical expenses/medical facilities by the employer:

[Refer proviso to section 17(2) inserted w.e.f. 1-4-1991 (assessment year 1991-92 and onwards)]

The value of reimbursement of medical expenses to an employee/provision of medical facilities by an employer to an employee is exempt from tax under the proviso to section 17(2). Under the said proviso exemption from tax will be available in respect of:

(1) medical facilities provided to an employee or any member of his family²⁰ in any hospital²¹ maintained by the employer;

(2) (a) reimbursement, by the employer, of expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family²⁰, in any hospital²¹ maintained by Government, local authority or in an approved hospital²¹ under Central Health Scheme or a similar scheme of any State Government,

(b) reimbursement, by the employer, of expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family²⁰, in respect of the prescribed diseases or ailments²², in any hospital²² approved by the Chief Commissioner, subject to the condition that the employee attaches with the return of income a certificate from the said hospital specifying the disease or ailment for which medical treatment was required as well as receipt of the amount paid to the hospital [From assessment year 1993-94 & onwards];

(3) group medical insurance taken by the employer for his employees or reimbursement of medical insurance premium paid by the employee on his health or on the health of any member of his family under scheme approved u/s. 80D;

(4) reimbursement by employer of actual expenditure incurred by an employee for medical treatment from any doctor in respect of the employee, or any member of the family²⁰ of such employee, not exceeding Rs. 10,000 in the previous year;

(5) actual expenditure incurred by the employer on medical treatment of the employee or any member of the family²⁰ of such employee, outside India.

The expenditure incurred by the employer on travel and stay abroad of the patient and one attendant is also exempt from tax subject to the condition that—

From assessment year 1993-94 & onwards:

The expenditure on medical treatment and stay abroad will be exempt only to the extent permitted by the Reserve Bank of India, and, the expenditure on travel is exempt only in the case of an employee whose gross total income, as computed before including therein the said expenditure, does not exceed Rs. 2,00,000.

20. "family" in relation to an employee means—

(1) the spouse and children of the employee; and

(2) the parents, brothers and sisters of the employee or any of them, wholly or mainly dependent on the employee.

21. "hospital" includes a dispensary or a clinic and from assessment year 1993-94 and onwards, includes a nursing home also.

22. Refer rule 3A of the Income-tax Rules, 1962. For text of Rule 3A refer page 84.

For assessment years 1991-92 & 1992-93:

Employee's gross total income, as computed before including therein the said expenditure, does not exceed Rs. 1,00,000 and subject to further conditions and limits in relation to such expenditure as may be prescribed by the Board having regard to guidelines, if any, issued by the Reserve Bank of India.

(6) reimbursement of expenditure by the employer in respect of any expenditure actually incurred by the employee for any of the purposes mentioned in (5) above subject to the conditions specified therein.

(xi) Valuation of other taxable perquisite under executive instructions:

(a) Household servants provided by the employers to their employees:

As per instruction No. 133 dt. 10-12-1969, where the wages of sweeper or watchman, provided by the employer, for the proper upkeep of the house belonging to the employer and which is in the occupation of the employee (whose salary by way of monetary payment exceeds Rs. 24,000) the value of perquisite in respect of such wages will be as under:

- (i) Sweeper .. 75% of actual wages or Rs. 60 per month, whichever is less.
- (ii) Watchman .. 50% of actual wages or Rs. 60 per month, whichever is less.
- (iii) Gardener .. According to Circular No. 122 dated 19th October, 1973 [94 ITR (St.) 11], the payment of salary to a gardener cannot be regarded as a perquisite so as to justify that amount being taxed in the hands of the employee. However, the expenses incurred by way of maintenance of a gardener may be taken into account for the purposes of estimating the value of the rent-free accommodation provided by the employer.

However, the reimbursement by the employer of the wages of sweeper, gardener or watchman engaged by the employee is fully taxable as income from "Salaries" in the hands of the employee [Vide Circular No. 662 dt. 27-9-1993. 204 ITR (St.) 34].

(b) Bonafide employees of a hotel:

As per Circular No. 311, dated 24th August, 1981 [132 ITR (St.) 9] the value of perquisites in respect of bonafide employees of the hotel who are obliged to live in the hotel premises is as under:

- (i) Free lodging:— Rule 3(a)(iii) would apply for valuation of rent-free residential accommodation provided by an employer to an employee as explained on pp. 70-72 with examples.
- (ii) Free boarding (i.e. free food): — This is to be determined under Rule 3(g) as stated in item (ix) on page 75.

(c) Club fees or bills of an employee paid by the employer.

(d) Privilege granted to a managing director or other officers of a company to obtain unissued shares in the company at par when similar shares are selling in the market at considerable higher rate.

(e) The insurance premia paid by the employer under the Salary Savings Schemes of the Life Insurance Corporation on behalf of the employees are includible in the salary of the employee.

(f) Payment of tax on behalf of the employee subject to the provisions contained in section 10(6)(viii)/10(5B).

It may be noted that the value of a benefit or amenity is to be included in the total income when it is actually granted or provided to the employee. In cases where any benefit or amenity due to an employee under the terms of service is waived by him, the value of the benefit or amenity not enjoyed will not be included in his total income. Likewise, the value of any benefit or amenity granted free of cost or at a concessional rate will be exempt in the case of an employee referred to in item (iii) (c) on page 70, unless the benefit or amenity is of a obligatory nature referred to in item (iv) on the said page.

(xii) Perquisites and allowances which are wholly or partially exempt:

(a) House rent allowance from the employer:

The Income-tax Act, 1961, provides for relief to employees who receive house rent allowance from their employers subject to certain limits and conditions.

The relevant section and rule, for ready reference is given below:—

Section 10(13A): Any special allowance specifically granted to an assessee by his employer to meet expenditure actually incurred on payment of rent (by whatever name called) in respect of residential accommodation occupied by the assessee, to such extent as may be prescribed having regard to the area or place in which such accommodation is situate and other relevant considerations.

Explanation.— For the removal of doubts, it is hereby declared that nothing contained in this clause shall apply in a case where—

- (a) the residential accommodation occupied by the assessee is owned by him; or

(b) the assessee has not actually incurred expenditure on payment of rent (by whatever name called) in respect of the residential accommodation occupied by him.

Rule 2A of the Income-tax Rules, 1962:

Limits for the purposes of section 10(13A):— The amount which is not to be included in the total income of an assessee in respect of the special allowance referred to in clause (13A) of section 10 shall be:—

(a) the actual amount of such allowance received by the assessee in respect of the relevant period; or

(b) the amount by which the expenditure actually incurred by the assessee in payment of rent in respect of residential accommodation occupied by him exceeds one-tenth of the amount of salary due to the assessee in respect of the relevant period; or

(c) an amount equal to —

(i) where such accommodation is situate at Bombay, Calcutta, Delhi or Madras, one-half of the amount of salary due to the assessee in respect of the relevant period; and

(ii) where such accommodation is situate at any other place, two-fifths of the amount of salary due to the assessee in respect of the relevant period,

whichever is the least of (a), (b) and (c).

Explanation.— In this rule—

(i) "salary"²³ shall have the meaning assigned to it in clause (h) of rule 2 of Part A of the Fourth Schedule;

(ii) "relevant period" means the period during which the said accommodation was occupied by the assessee during the previous year.

Rule 2 (h) of Part A of the Fourth Schedule:

"salary" includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.

An employee is entitled to claim the exemption u/s. 10(13A) when all the following conditions are fulfilled:

(i) the allowance from the employer must be specific to meet expenditure on payment of rent,

(ii) the residential accommodation occupied by the employee is not owned by him, and

(iii) the actual payment of rent by the employee should exceed 10% of his salary.

Examples for exemption of House rent allowance received from the employer for assessment year 1991-92 & onwards:

(i): Mr. A who is employed by M/s. B & Co. Ltd. is in receipt of salary (exclusive of benefits and perquisites) of Rs. 48,000 per annum. He pays rent of Rs. 2,600 per month (Rs. 31,200 per annum). He is in receipt of house rent allowance from employer at Rs. 2,400 per month (Rs. 28,800 per annum). He is not in receipt of any other benefits or perquisites from employer other than house rent allowance.

IF THE ACCOMMODATION IS SITUATED AT BOMBAY, CALCUTTA, DELHI OR MADRAS

	Rs.	Rs.	Rs.
Annual salary (exclusive of benefits and perquisites)			48,000
House rent allowance received	28,800		
Less: Exemption u/s. 10(13A) read with Rule 2A:			
(a) House rent allowance received	28,800		
(b) Actual rent paid	Rs. 31,200		
Less: 1/10th of salary	4,800	26,400	
(c) One-half of salary	24,000		
Least of (a), (b) & (c) is exempt	24,000	4,800	
Salary income subject to deduction ²⁴		52,800	

IF THE ACCOMMODATION IS SITUATED AT ANY PLACES OTHER THAN BOMBAY, CALCUTTA, DELHI OR MADRAS

	Rs.	Rs.	Rs.
Annual salary (exclusive of benefits and perquisites)			48,000
House rent allowance received	28,800		
Less: Exemption u/s. 10(13A) read with Rule 2A:			
(a) House rent allowance received	28,800		
(b) Actual rent paid	Rs. 31,200		
Less: 1/10th of salary	4,800	26,400	
(c) Two-fifths of salary	19,200		
Least of (a), (b) & (c) is exempt	19,200	9,600	
Salary income subject to deduction ²⁴		57,600	

(ii): Mr. A who is employed by M/s. B & Co. Ltd. is in receipt of salary (exclusive of benefits and perquisites) of Rs. 36,000 per annum. He pays rent of Rs. 1,000 per month (Rs. 12,000 per annum). He is in receipt of house rent allowance from employer at Rs. 900 per month (Rs. 10,800 per annum). He is not in receipt of any other benefits or perquisites from employer other than house rent allowance.

23. The term "salary" includes "dearness pay" also in the case of Government servants [Circular No. 90 dt. 26-6-72. 85 ITR (St.) 34].

24. Under sections 16(i), 16(ii), [80CCA, 80CCB, upto assessment year 1992-93], 80D & 80DD.

IF THE ACCOMMODATION IS SITUATED AT BOMBAY, CALCUTTA, DELHI OR MADRAS				IF THE ACCOMMODATION IS SITUATED AT ANY PLACES OTHER THAN BOMBAY, CALCUTTA, DELHI OR MADRAS			
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
Annual salary (exclusive of benefits and perquisites)			36,000	Annual salary (exclusive of benefits and perquisites)			36,000
House rent allowance received ..		10,800		House rent allowance received ..		10,800	
Less: Exemption u/s. 10(13A) read with Rule 2A:				Less: Exemption u/s. 10(13A) read with Rule 2A:			
(a) House rent allowance received ..	10,800			(a) House rent allowance received ..	10,800		
	Rs.				Rs.		
(b) Actual rent paid ..	12,000			(b) Actual rent paid ..	12,000		
Less: 1/10th of salary ..	3,600	8,400		Less: 1/10th of salary ..	3,600	8,400	
(c) One-half of salary ..	18,000			(c) Two-fifth of salary ..	14,400		
Least of (a), (b) & (c) is exempt		8,400	2,400	Least of (a), (b) & (c) is exempt		8,400	2,400
Salary income subject to deduction ^{24a} ..			38,400	Salary income subject to deduction ^{24a} ..			38,400

NOTES: (1) It may be noted that the tax exemption under section 10(13A) is available in cases where an employee resides in a rented house/flat and not in a house/flat owned by him [Explanation to section 10(13A)].

(2) Employees who are not in receipt of house rent allowance from their employers but who pay rent for their residential accommodation in excess of 10% of their total income are entitled to claim deduction under section 80GG (refer page 189). It may be noted that for the purpose of deduction of tax at source from salary of employees, employers are entitled to allow deduction under section 80GG in respect of rents paid by the employees subject to the condition that the employer should satisfy that the conditions mentioned in section 80GG (refer page 189) are satisfied and should also insist on production of evidence of actual payment of rent.

(b) Conveyance and Travelling Allowance:

Under section 10(14), any special allowance or benefit, not being in the nature of entertainment allowance or other perquisite within the meaning of section 17(2), is exempt from tax if specifically granted to meet expenses wholly, necessarily and exclusively incurred in the performance of the duties of an office to the extent to which such expenses are actually incurred for that purpose. Allowance like conveyance and travelling are treated as income under section 2(24)(iiia) & (iiib) inserted retrospectively with effect from 1-4-1962.

From assessment year 1989-90 and onwards, the Central Government has been empowered to notify the allowances and the extent thereof which would be exempt under section 10(14). Notification No. 143(E), 144(E), 259(E), 267(E), 487(E) and 606(E) has been issued in accordance with the powers conferred u/s. 10(14)(i) & 10(14)(ii). For the gist of these notifications, refer page 63.

Where the employees are in receipt of conveyance allowance under section 10(14), the Central Board of Direct Taxes vide its circular No. 196 dated 31st March, 1976 [109 ITR (St.) 117] have clarified that—

"If the disbursing authority is satisfied that the conveyance allowance granted to the employees is covered by section 10(14), then, the obligation to deduct tax thereon may not arise. In such contingency, tax is not liable to be deducted at source from this allowance. However, at the same time it will have to be ensured that a certificate in terms of section 10(14) is endorsed on the tax deduction bills by the disbursing authority. The employees who are in receipt of conveyance allowance would also have to furnish the necessary certificate before the assessing authority in support of the fact that conveyance allowance is only a reimbursement of expenses laid out wholly, necessarily and exclusively for the performance of the duties of an office. Such satisfaction of the disbursing authority would still be liable for scrutiny by the Income-tax Officer during regular assessment proceedings before him".

(c) Value of travel concession in India:

Under section 10(5), leave travel concession received by, or due to, an employee (whether citizen of India or not) for himself and his family²⁵ in connection with his proceeding on leave or on retirement or termination of service, to any place in India is exempt from tax subject to following conditions:

(1) The Central Board of Direct Taxes is empowered to frame rules^{25a} which will lay down the cases and the circumstances in which the value of the travel concession or assistance received for journey to any place in India during leave or on retirement or termination of service would qualify for exemption under section 10(5). The Board will also lay down in the said rules the conditions regarding number of journeys and the amount of exemption per head.

24a. Under sections 16(i), 16(iii), [80CCA, 80CCB, upto assessment year 1992-93], 80D & 80DD.

25. "Family", in relation to an individual, means—

(i) the spouse and children of the individual; and

(ii) the parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual.

25a. The Central Board of Direct Taxes has framed Rule 2B. The text of Rule 2B is given on page 79.

(2) The exemption will be limited to the amount of expenses actually incurred by the employee for the purpose of such travel. Thus, the employee will be required to keep an account of the actual expenditure incurred per person in the family and furnish evidence of such expenditure when he avails of the leave travel concession under section 10(5). If the employee has not incurred any expenditure, exemption under section 10(5) will not be allowed in respect of leave travel concession received from the employer.

Rule 2B. Conditions for the purpose of section 10(5).—

(1) The amount exempted under clause (5) of section 10 in respect of the value of travel concession or assistance received by or due to the individual from his employer or former employer for himself and his family, in connection with his proceeding,—

(a) on leave to any place in India;

(b) to any place in India after retirement from service or after the termination of his service,

shall be the amount actually incurred on the performance of such travel subject to the following conditions, namely:—

(i) where the journey is performed on or after the 1st day of April, 1989 by rail, an amount not exceeding the air-conditioned second class fare by the shortest route to the place of destination;

(ii) where places of origin of journey and destination are connected by rail and the journey is performed on or after the 1st day of April, 1989 by any other mode of transport, an amount not exceeding the air-conditioned second class rail fare by the shortest route to the place of destination; and

(iii) where the places of origin of journey and destination or part thereof are not connected by rail and the journey is performed on or after 1st day of April, 1989 between such places, the amount eligible for exemption shall be,—

(A) where a recognised public transport system exists, an amount not exceeding the 1st class or deluxe class fare, as the case may be, on such transport by the shortest route to the place of destination; and

(B) where no recognised public transport system exists, an amount equivalent to the air-conditioned second class rail fare, for the distance of the journey by the shortest route, as if the journey had been performed by rail.

(2) The exemption referred to in sub-rule (1) shall be available to an individual in respect of two journeys performed in a block of four calendar years commencing from the calendar year 1986²⁶:

Provided that nothing contained in this sub-rule shall apply to the benefit already availed of by the assessee in respect of any number of journeys performed before the 1st day of April, 1989 except to the extent that the journey or journeys so performed shall be taken into account for computing the limit of two journeys specified in this sub-rule.

(3) Where such travel concession or assistance is not availed of by the individual during any such block of four calendar years, an amount in respect of the value of the travel concession or assistance, if any, first availed of by the individual during first calendar year of the immediately succeeding block of four calendar years shall be eligible for exemption.

Explanation.—The amount in respect of the value of the travel concession or assistance referred to in this sub-rule shall not be taken into account in determining the eligibility of the amount in respect of the value of the travel concession or assistance in relation to the number of journeys under sub-rule (2).

(d) **Value of free or concessional passage out of India to a person who is not a citizen of India:**

Under section 10(6)(i), the passage moneys or the value of any free or concessional passage received by or due to an individual who is not a citizen of India, from his employer for himself, his spouse and children, in connection with his proceeding on home leave out of India or in connection with his proceeding to his home country out of India after retirement from service in India or after the termination of such service is exempt from tax subject to conditions notified under Notification No. G.S.R. 72(E) dated 10th Feb., 1977 [106 ITR (St.) 52].

Passage moneys or the value of any free or concessional passage received by a foreign employee from his employer on account of the travel of his children having full time education in any educational institution outside India for the purpose of visiting their parents in India during vacation is exempt from tax.

(xiii) Non-taxable perquisites:

The value of the following benefits and amenities, in actual practice, is exempt from tax:

(i) Provision of refreshments during office hours in the office premises.

(ii) Provision of recreational facilities for groups of employees.

Note: For valuation of reimbursement of medical expenses/medical facilities by the employer, refer item (x) on page 75.

26. Accordingly, 1st block of four years will commence from the calendar year 1986 and will end on calendar year 1989 (i.e. from 1-1-1986 to 31-12-1989), 2nd block of four years will be from 1-1-1990 to 31-12-1993 and 3rd block of four years will be from 1-1-1994 to 31-12-1997.

SALARIES OF FOREIGN TECHNICIANS

(A) Foreign technicians whose services in India commences after 31-3-1993:

[Section 10(5B)]

"Technician" means a person having specialised knowledge and experience in constructional or manufacturing operations, or in mining or in the generation of electricity or any other form of power, or in the agricultural, animal husbandry, dairy farming, deep sea fishing or ship building, or such other field as may be notified by the Central Government.

Such 'technician' should be in the employment of the Government or of a local authority or of a corporation set up under any special law or of any such institution or body established in India for carrying on scientific research as is approved for the purposes of section 10(5B) or section 10(6)(viiia) by the prescribed authority or in any business carried on in India.

In the case of such technician, where the tax on his income for such services chargeable under the head "Salaries" is paid to the Central Government by the employer (which tax, in the case of an employer, being a company, may be paid notwithstanding anything contained in section 200 of the Companies Act, 1956), the tax so paid by the employer will not be treated as perquisite in the hands of such technician for a period of forty eight months from the date of his arrival in India.

The exemption of said perquisite is subject to the condition that such technician is an individual (irrespective of citizenship) and should not have been resident in India [as defined under section 6(1)] in any of the four financial years immediately preceding the financial year of his arrival in India.

However, under proviso to section 10(5B), the Central Government has been empowered to waive the condition regarding residence in India in the immediately preceding four years in cases where it considers necessary or expedient to do so in the public interest. This provision is applicable in the case of a technician for designing, erection or commissioning of machinery or plant or supervising activities connected therewith.

(B) Foreign technicians whose services in India commence after 31-3-1971 but before 1-4-1993:

[Section 10(6)(viiia)]

Technician means a person having specialised knowledge and experience in constructional or manufacturing operations or in mining or in the generation of electricity or any other form of power or in the agriculture, animal husbandry, dairy farming, deep sea fishing or ship building, or such other field as may be notified by the Central Government.

In the case of such technicians, remuneration upto Rs. 4,000 per month is exempt from tax for a period of 24 months from the date of his arrival in India. However, in cases where the remuneration is paid in excess of Rs. 4,000 per month and the tax on such excess is paid by the employer, the tax so paid will not be treated as perquisite in the hands of such employees. Where service of such technician commences after 31-3-1988, the remuneration paid to him is not exempt u/s. 10(6)(viiia)(II). However, in case where the tax on such remuneration is paid by the employer, the tax so paid will not be treated as perquisite in the hands of such technician for a period of 24 months from the date of his arrival in India.

If the period of employment in India is extended beyond 24 months with the approval of the Central Government obtained before 1st October of the relevant assessment year and tax on his salary is paid by the employer, the tax so paid will not be treated as perquisite in the hands of such technicians for a period not exceeding 24 months.

The exemption is subject to the conditions that the technician is not a citizen of India and should not have been resident in India [as defined under section 6(1)] in any of the four financial years preceding the financial year of his arrival in India and also that his contract of service in India has been approved by the Central Government²⁷.

However, under the 2nd proviso to section 10(6)(viiia), the Central Government has been empowered to waive the condition regarding the residence in India in the immediately preceding four years in cases where it considers necessary or expedient to do so in the public interest. This provision is applicable in the case of foreign technicians for designing, erection or commissioning of machinery or plant or supervising activities connected therewith.

DEDUCTIONS FROM "SALARIES"

DEDUCTIONS PERMISSIBLE UNDER SECTION 16 FOR THE ASSESSMENT YEAR 1991-92 AND ONWARDS

(1) Standard deduction:

[Section 16(i)]

Separate deduction will not be available in respect of expenditure on books, expenditure on travelling for the purpose of employment and expenditure incidental to employment. Instead, a standard deduction will be

27. W.e.f. 1-6-1992, such an approval of the Central Government is not necessary.

allowed in respect of the above mentioned items of expenditure for various assessment years as under:

Assessment year

1991-92 to 1993-94²⁸ .. @ 33 1/3% of salary subject to a maximum of Rs. 12,000²⁹.

1994-95 & 1995-96²⁹ .. @ 33 1/3% of salary subject to a maximum of Rs. 15,000²⁹.

For the purpose of standard deduction, the term "salary" includes fees, commission, perquisites, gratuity, etc. but excludes any payment which are specifically exempt under various provisions of the Income-tax Act.

Where the employee is in receipt of "salary" at a time from more than one employer or has changed jobs during the course of the year, then, the standard deduction is to be computed with reference to the aggregate amount of salary due subject to an overall ceiling limit of Rs. 15,000²⁹ for assessment years 1994-95 & 1995-96 (Rs. 12,000²⁸ upto assessment year 1993-94) and not in respect of each employment separately.

The pensioners and the employees in receipt of conveyance allowance are also entitled to standard deduction as stated above.

This standard deduction is to be claimed before allowing any deductions permissible under Chapter VIA of the Act.

Employers are requested to note that they can allow the standard deduction on % basis subject to monetary ceiling of Rs. 15,000²⁹ while computing the tax to be deducted at source from "Salaries", during the financial year 1994-95.

Employers are also requested to note that while deducting tax from "Salaries" of their employees deduction on account of profession tax paid by the employees is to be considered while computing the taxable salary during the financial year 1994-95 [Refer section 16(iii) and item (3) hereafter].

(2) Entertainment allowance:

[Section 16(ii)]

Entertainment allowance received by an employee will first be included in employee's income under the head "Salary" and thereafter a deduction therefrom is permissible subject to the conditions and limits laid down under section 16(ii).

(3) Tax on employment:

[Section 16(iii)]

Any sum paid by an employee on account of the tax on employment (i.e., profession tax) which is levied by a State Government is allowable as deduction from the salary of the employee provided it has been paid by him [Section 16(iii)].

Employers can allow deduction for the profession tax paid by the employee while computing the tax to be deducted at source from "Salaries".

DEDUCTION OF TAX AT SOURCE FROM "SALARIES"

Under section 192, tax should be deducted at source on "Salary" payments if the annual estimated income under this head exceeds the maximum amount not liable to tax. The obligation to deduct the tax lies on the employer or the person responsible for the payment of salary. For this purpose, the employer should make an estimate of the total emoluments payable to an employee during the financial year after taking into account the increment or arrears of pay which are expected to be paid during that financial year.

It may be noted that under section 192, the tax on salary is to be deducted at the rates applicable to the estimated salary for the entire relevant financial year and where an employee has during that year worked under more than one employer, then in order to facilitate proper deduction of tax at source from the aggregate salary due or received in the same year, the employee may furnish in the prescribed Form 12B, to one of the said employer as he may choose, details of the salary due or received from such other employer or employers during that year as also the tax deducted therefrom. Where, an employee having taxable salary has, in addition, income (but not loss) chargeable under any other head he may furnish in the prescribed Form 12C to his employer particulars of such other income and of any tax deducted thereon.

When such particulars in the prescribed form are furnished by the employee, the employer shall take that also into account for deducting tax at source. In case particulars regarding income under other heads of income are furnished, the employer has to ensure that the tax deductible from the "salary" in no case is reduced by including the income from other heads of income and the tax deducted thereon [Vide section 192(2) & (2B)].

28. For assessment year 1993-94, women employees having total income [before making any deduction u/s. 16(i)] upto Rs. 75,000 will be entitled to deduction u/s. 16(i) at 33 1/3% of salary subject to a maximum of Rs. 15,000.

29. For assessment years 1994-95 and 1995-96, women employees having total income [before making any deduction u/s. 16(i)] upto Rs. 75,000 will be entitled to standard deduction u/s. 16(i) at 33 1/3% of salary subject to a maximum of Rs. 18,000.

A government servant or an employee in a company, co-operative society, local authority, university, institution, association or body, if he is entitled to relief under section 89(1) (refer page 66), he may furnish to the employer the prescribed particulars in the prescribed Form No. 10E. If he does so, the employer shall compute the relief under section 89(1) on the basis of such particulars and take it into account while deducting tax at source [Vide section 192(2A)].

From the estimated salary income so computed, deduct: (1) standard deduction admissible under section 16(i), which is to be allowed irrespective of whether any expenditure incidental to the employment is actually incurred by the employee or not, and (2) profession tax paid by the employee.

The resultant income is the gross salary income which is subject to the following deductions:

(1) for assessment years 1991-92 & 1992-93, under section 80CCA in respect of deposits in National Savings Scheme and/or payment for notified annuity plan of L.I.C. (i.e. Jeevan Dhara & Jeevan Akshya Policy) made by the employee as explained on page 186. It may be noted that the withdrawals made by the employee from the National Savings Scheme or the amount received on account of the deferred annuity plans of L.I.C. (i.e. Jeevan Dhara & Jeevan Akshya Policy) is to be included in the computation of the employee's income while deducting tax at source [Vide Circular No. 612, dated 13-11-1991. Refer 192 ITR (St.) 233];

(2) for assessment years 1991-92 & 1992-93, under section 80CCB in respect of investment in notified Equity Linked Savings Scheme of Mutual Funds and the Unit Trust of India as explained on page 187 [Vide Circular No. 612, dt. 13-11-1991. Refer 192 ITR (St.) 233];

(3) under section 80D on account of payment of medical insurance premia (Mediclaime) made by the employee as explained on page 187;

(4) under section 80DD in respect of expenditure incurred on the handicapped dependent relatives as explained on page 187 [Vide Circular No. 654, dt. 22-7-1993. Refer 203 ITR (St.) 19]; and

(5) under section 80GG in respect of payment of rents made by the employee as explained in note 2 on page 78 [Vide Circular No. 654, dt. 22-7-1993. Refer 203 ITR (St.) 20].

The balance figure so arrived at is the taxable salary (Refer example on page 272).

The tax on the taxable "salary" so arrived at should be computed at the rates in force during the financial year. Such rates are specified in Part III of the First Schedule to the Finance Act of the relevant financial year.

The tax so computed should be further reduced by the following rebates, which are allowable:

(a) under section 88 @ 20% of the aggregate amount of life insurance premia, contributions to provident fund, contribution to Public Provident Fund Account, subscription to National Savings Certificates VIII³⁰ issue, deposits made under the Post Office Savings Bank (Cumulative Time Deposit) Rules, contributions made for participation in the Unit Linked Insurance Plan of Unit Trust and LIC Mutual fund, payment for the purchase or construction of a residential house³¹, subscription to notified deposit scheme (i.e. Home Loan Account Scheme³²) of the National Housing Bank, etc. [for details, refer pp. 205-209].

(b) under section 88A @ 20% of the investment in specified eligible issue of capital made by the company [being shares offered for public subscription before 1-4-1991] or units of specified Mutual Funds and Unit Trust of India [being subscription to such units closes before 1-10-1990], and

(c) from assessment year 1993-94 and onwards, under section 88B, in the case of an employee, who has attained age of 65 years at any time during the previous year and who has:-

(1) for assessment year 1995-96, gross total income not exceeding Rs. 1,00,000, additional rebate @ 40% of the tax payable;

(2) for assessment year 1994-95, gross total income not exceeding Rs. 75,000, additional rebate @ 20% of the tax payable;

(3) for assessment year 1993-94, gross total income not exceeding Rs. 50,000, additional rebate @ 10% of the tax payable.

This rebate is to be allowed before allowing the tax rebate u/s. 88. 'Gross total income' means total income determined under the Act, before making any deduction under Chapter VIA.

30. The interest on National Savings Certificate VI/VIII Issue is deemed to be reinvested and, therefore, the holder thereof is entitled to rebate of (deduction from) income-tax u/s. 88. The employer can allow rebate of (deduction from) income-tax u/s. 88 in respect of such accrued interest on N.S.C. VI Issue/VIII Issue. [Vide Circular No. 654, dt. 22-7-1993, 203 ITR (St.) 24]. For details and examples refer pp. 205-209.

31. For assessment year 1991-92, the construction of such residential house should have been completed after 31-3-1987. However, for assessment year 1992-93 and onwards, rebate will be allowed in relation to such residential house whether the construction of which is completed before or after 1-4-1987.

32. Vide Notification No. S.O. 850(E), dt. 25th October, 1989 [181-ITR (St.) 228].

The resultant amount of tax so arrived at should then be deducted in equal instalments from the salary of each month [For example, refer page 272].

It may be that some arrears of pay, bonus, etc., which were not anticipated to be paid during the financial year when the tax computation was made are subsequently paid during the course of that financial year or the payments which were expected to be made are not made. This will entail re-computation of the tax deductible at source. Sub-section (3) of section 192, therefore, permits the employer to adjust any short or excess deduction in the remaining months of that year.

The tax deducted at source from the income under the head "salary" is a sort of tax recovered in advance. To avoid loss of revenue on this account, the deduction of tax at source, i.e. at the point where the salary is paid, is mandatory. Nonetheless, every employee who has earned a taxable salary in any previous year, is required to file his return of income voluntarily under section 139(1) for the relevant assessment year within the time allowed by that section even though tax has been deducted at source from such salary.

However, upto assessment year 1992-93, under section 139(1A), it is not necessary for a salaried employee to file a voluntary return of his income where all the following conditions are fulfilled:

(1) income under the head "Salaries", exclusive of the value of all benefits or amenities not provided for by way of monetary payment, does not exceed Rs. 36,000.

(2) the amount of income referred to in section 80L (i.e. interest on Government securities, bank deposit, dividend from companies, income in respect of units from Unit Trust of India, etc. etc.) does not exceed the specified limits as explained with examples on pp. 200-201;

(3) the tax deductible at source has been correctly deducted; and

(4) the employee concerned was at no time during the previous year, a director of the company or a beneficial owner of shares in the company carrying not less than 20% of the voting power.

It may be noted that in view of omission of section 139(1A) w.e.f. 1-4-1993 (assessment year 1993-94 and onwards), all employees having taxable income are required to file their return of income for and from assessment year 1993-94 and onwards. Failure to file such return by 30th June, will attract penal interest u/s. 234A @ 2% p.m. or part of a month on tax determined u/s. 143(1) or 143(3) less advance tax paid, if any, and tax deducted at source, from 1st July to the date of *ex-parte* assessment u/s. 144.

WHEN IS THE TAX DEDUCTED FROM SALARIES TO BE CREDITED TO THE GOVERNMENT?

With effect from 8th June, 1990, amended Rule 30 of the Income-tax Rules, 1962, lays down that the tax deducted at source shall be paid to the credit of the Central Government:

(a) in the case of deduction by or on behalf of Government, on the same day;

(b) in all other cases, within one week from the date of such deduction.

The employers deducting tax at source have to file returns for tax deducted at source. For further details, refer "Chart for deduction of tax at source" on pp. 318-319].

CONSEQUENCES OF FAILURE TO DEDUCT OR PAY TAX

Under section 201, if the person responsible for the deduction of tax at source has defaulted without reasonable cause or excuse in his obligation to deduct tax at source or after deducting fails to pay the tax to the credit of the Central Government, he shall be deemed to be an assessee in default in respect of such tax and shall be liable to:

(i) simple interest under section 201(1A) at 15% per annum on the amount of such tax from the date on which such tax was deductible to the date on which such tax is actually paid,

(ii) penalty under section 221 not exceeding the amount of such tax,

(iii) W.e.f. 1-4-1989, for failure to deduct the whole or any part of the tax, penalty equal to the tax that should have been deducted will be levied under section 271C, and

(iv) Prosecution u/s. 276B for failure to pay the tax deducted at source to the credit of the Central Government.

(A) THE TEXT OF RULE 2BA:

2BA. Guidelines for the purposes of section 10(10C).—The amount received by an employee of—

(i) a public sector company; or

(ii) any other company; or

(iii) an authority established under a Central, State or Provincial Act; or

(iv) a local authority,

at the time of his voluntary retirement shall be exempt under clause (10C) of section 10 only if the scheme of voluntary retirement framed by the aforesaid company or authority, as the case may be, is in accordance with the following requirements, namely:—

(i) it applies to an employee of the company or the authority, as the case may be, who has completed 10 years of service or completed 40 years of age;

SALARIES

TEXT OF RULE 2BA/3A

- (ii) it applies to all employees (by whatever name called) including workers and executives of the company or the authority, as the case may be, excepting directors of the company;
- (iii) the scheme of voluntary retirement has been drawn to result in overall reduction in the existing strength of the employees of the company or the authority, as the case may be;
- (iv) the vacancy caused by the voluntary retirement is not to be filled up;
- (v) the retiring employee of a company shall not be employed in another company or concern belonging to the same management;
- (vi) the amount receivable on account of voluntary retirement of the employee, does not exceed the amount equivalent to one and one-half month's salary for each completed year of service or salary at the time of retirement multiplied by the balance, months of service left before the date of his retirement on superannuation.

Explanation: In this rule, the expression "salary" shall have the same meaning as is assigned to it in clause (h) of rule 2 of Part A of the Fourth Schedule.

(B) THE TEXT OF RULE 3A³⁴:

3A. Exemption of medical benefits from perquisite value in respect of medical treatment of prescribed diseases or ailments in hospital approved by the Chief Commissioner.—(1) In granting approval to any hospital for the purposes of sub-clause (b) of clause (ii) of the proviso to clause (2) of section 17, the Chief Commissioner shall satisfy himself that the hospital is registered with the local authority and fulfils the following requirements, namely:—

- (i) The building used for the hospital complies with the municipal bye-laws in force.
 - (ii) The rooms are well ventilated, lighted and are kept in clean and hygienic conditions.
 - (iii) At least ten iron spring beds are provided for patients.
 - (iv) At least one properly equipped operation theatre is provided, with minimum floor space of 180 square feet and with a separate sterilisation room.
 - (v) At least one labour room is provided, with minimum floor space of 180 square feet, in case the hospital provides medical service for maternity cases.
 - (vi) Aseptic conditions are maintained in the operation theatre and the labour room.
 - (vii) A duty room is provided for the nursing staff on duty.
 - (viii) Adequate space for storage of medicines, food, articles, equipments, etc., is provided.
 - (ix) The water used in the hospital or nursing home is fit for drinking.
 - (x) Adequate arrangements are made for isolating septic and infectious patients.
 - (xi) The hospital is provided with and maintains:
 - (a) high pressure sterilizer and instrument sterilizer;
 - (b) oxygen cylinders and necessary attachments for giving oxygen;
 - (c) adequate surgical equipments, instruments and apparatus including intravenous apparatus;
 - (d) a pathological laboratory for testing of blood, urine and stools;
 - (e) electro cardiogram monitoring system;
 - (f) stand-by generator for use in case of power failure.
 - (xii) There is at least one qualified doctor available on duty around the clock for every twenty beds or fraction thereof.
 - (xiii) In hospitals providing intensive care unit facilities, there are at least two qualified doctors available on duty around the clock exclusively for such intensive care unit.
 - (xiv) One nurse is on duty around the clock for every five beds or a fraction thereof.
 - (xv) In hospitals providing intensive care unit facilities, there are at least four nurses provided exclusively for every four beds or fraction thereof for such intensive care unit.
 - (xvi) The hospital maintains record of health of every patient containing information about the patient's name, address, occupation, sex, age, date of admission, date of discharge, diagnosis of disease and treatment undertaken.
- (2) For the purpose of sub-clause (b) of clause (ii) of the proviso to clause (2) of section 17, the prescribed diseases or ailments shall be the following namely:—

- (a) cancer;
- (b) tuberculosis;
- (c) acquired immunity deficiency syndrome;
- (d) disease or ailment of the heart, blood, lymph glands, bone marrow, respiratory system, central nervous system, urinary system, liver, gall bladder, digestive system, endocrine glands or the skin, requiring surgical operation;
- (e) ailment or disease of the eye, ear, nose or throat, requiring surgical operation;
- (f) fracture in any part of the skeletal system or dislocation of vertebrae requiring surgical operation or orthopaedic treatment;

- (g) gynaecological or obstetric ailment or disease requiring surgical operation, caesarean operation or laparoscopic intervention;
- (h) ailment or disease of the organs mentioned at (d), requiring medical treatment in a hospital for at least three continuous days;
- (i) gynaecological or obstetric ailment or disease requiring medical treatment in a hospital for at least three continuous days;
- (j) burn injuries requiring medical treatment in a hospital for at least three continuous days;
- (k) mental disorder-neurotic or psychotic requiring medical treatment in a hospital for at least three continuous days;
- (l) drug addiction requiring medical treatment in a hospital for at least seven continuous days;
- (m) anaphylectic shocks including insulin shocks, drug reactions and other allergic manifestations requiring medical treatment in a hospital for at least three continuous days.

Explanation.—For the purpose of this rule,—

- (a) "qualified doctor" means a person who holds a degree recognised by the Medical Council of India and is registered by the Medical Council of any State;
- (b) "nurse" means a person who holds a certificate of a recognised Nursing Council and is registered under any law for the registration of nurses;
- (c) "surgical operation" includes treatment by modern methodology such as angioplasty, dialysis, lithotripsy, laser or cryosurgery.

INCOME FROM HOUSE PROPERTY**[From assessment year 1991-92 and onwards]****(Sections 22 to 27)****(i) House property:**

A house property consists of buildings or lands appurtenant thereto. The land may be in the form of a court yard or compound forming part and parcel of the building. Such land is to be distinguished from a purely open plot of land. Any rent received from such a vacant plot is not assessable as "Income from house property" but as "Income from other sources" which is chargeable under section 56.

(ii) House property used for business:

Section 22 excludes from its charge income from any house property or any portion thereof which is occupied by the owner for the purposes of his business or profession. The expenditure incurred by the owner on such property by way of current repairs, municipal taxes, etc., can be claimed as a deduction against his business profits. Depreciation in respect of such property can also be claimed as a deduction against such profits. Further, when a property consisting of residential quarters is let-out by an assessee to his employees and such letting out is subservient and incidental to the carrying on of the assessee's business, the income from such property is assessable under the head "Profits and gains from business or profession" and not under the head "Income from house property".

(iii) Person liable to tax under the head income from house property:

Under section 22, it is the legal owner in whose name the property stands is chargeable to tax in respect of income under this head. However, under certain circumstances, persons other than the legal owners are "deemed" to be owners of the house property. Such "deemed" owners are mentioned in section 27. These are:-

(1) When an individual transfers without adequate consideration any house property owned by him to his or her spouse or to a minor child not being a married daughter, the legal ownership in respect of that property would vest in the spouse or minor child after such transfer. However, the income from the property so transferred would be assessed in the hands of the individual who transferred the property despite the cessation of his legal ownership.

(2) The holder of an impartible estate shall be deemed to be the individual owner of all the properties comprised in the estate.

(3) A member of a co-operative housing society to whom a building or part thereof is allotted or leased under a house building scheme shall be deemed to be the owner of such property.

(4) A member of a company or association of persons to whom a building or part thereof is allotted or leased under a house building scheme of the said company or association, as the case maybe.

(5) A person who is allowed to take or retain possession of any building or part thereof in part performance of a contract to buy.

(6) A person who acquires any rights in or with respect to any building or part thereof by way of sale or exchange or lease for a term not less than 12 years, excluding any rights by way of lease from month to month or for a period not exceeding one year.

(iv) Annual value of a house property:

(i) The bonafide annual value of a property is the starting point for the computation of income from house property. Section 23(1) lays down that the annual value of a property is the sum for which the property could reasonably be expected to let from year to year. The ordinary meaning of the words "to let" is to grant use of for rent or for hire which takes in its sweep the concept of granting use and occupation of a building for a licence fee. What is, therefore, to be seen is the inherent capacity of the property to yield income from year to year. In determining such notional income, several factors have to be taken into consideration, such as actual realisation by way of licence fee, consideration received by the owner such as charges normally payable by the owner being borne by the tenant, the location of the property, the capacity of the property to fetch income depending upon demand and supply position over a period of years, etc.

Municipal valuation is one of the tests to be applied in determining the bonafide value of a property. Under the Municipal Corporation Act, the municipal authorities determine the municipal valuation of a property with reference to the sum for which the property could reasonably be expected to let from year to year. If the property is given on leave and licence basis, the municipal authorities take the licence-fee into consideration for fixing the municipal valuation. Therefore, unless the actual realisation by way of rent or licence-fee is higher than the municipal valuation, the bonafide annual value is ordinarily determined with reference to the municipal rateable value on the basis of which municipal taxes are levied. This is because the municipal rateable value is also determined on the basis of the gross rent of the house property. Some of the

municipalities compute the rateable value after deducting from the gross rental value a certain allowance for repairs and service taxes¹. In such cases, the net municipal rateable value is to be suitably increased in order to determine the bonafide value or the reasonable rent of the property. In cities like Bombay, Madras, Delhi and Calcutta, the municipalities compute the rateable value after deducting an allowance of 10% of the gross rateable value on account of repairs. The municipal rateable value is accordingly increased in these cities for income-tax purposes by one-ninth of the rateable value. As regards properties situated in other towns, the amount to be added back to the municipal rateable value depends upon the deduction for repairs allowed by the respective municipalities. The bonafide letting value of the property (i.e., gross annual value) will be taken to be the sum so arrived at or the actual rent received or receivable from tenant or tenants, by whatever name it may be called, whichever is higher.

EXAMPLE:— Suppose municipal rateable value of a residential building in Bombay is Rs. 3,600 but it is let-out on a compensation of Rs. 6,000 per annum. The bonafide letting value will be either the compensation receivable or the gross rateable value computed on the basis of municipal rateable value, whichever is higher, as illustrated below:

(1) Compensation receivable	Rs.	6,000	
Add: Taxes borne by tenants on behalf of the owner	Rs.	Nil	Rs. 6,000
(2) Net rateable value	Rs.	3,600	
Add: (i) 1/9th	Rs.	400	
(ii) Sewerage (halalkhore) & water tax at 80%	Rs. 1,080	Rs. 1,480	Rs. 5,080
The bonafide letting value will be higher of the two, viz.			Rs. 6,000

(ii) From the bonafide letting value determined in the manner indicated above, a deduction is to be made under the first proviso to section 23(1) on account of taxes levied by a local authority such as a general tax, water and sewerage (halalkhore) taxes and education cess to the extent these are borne by the owner of the property. The amount so arrived at is the *annual value of a house property*.

However, under the first proviso to section 23(1) the deduction for local taxes as explained above will be allowed in the previous year in which the *taxes are actually paid*. Further, Explanation 2 to section 23(1) clarifies that such taxes already allowed upto assessment year 1984-85 on accrual basis will not again be allowed in the year in which the payment of such taxes is made. It has been specifically provided that even if in a previous year taxes relating to more than one year are paid, the entire payment will be allowed as a deduction as explained in the examples given hereunder:

EXAMPLE 1: For assessment year 1994-95, municipal rateable value of a building is Rs. 9,000. The municipal taxes payable thereon is Rs. 2,500, but the owner had not paid it before 31-3-1994.

Rateable value	Rs.	9,000	
Add: 1/9th of Rs. 9,000	Rs.	1,000	Rs. 10,000
Less: Municipal taxes Rs. 2,500 inadmissible since not paid before 31-3-1994			Rs. Nil
Annual value			Rs. 10,000

EXAMPLE 2: In assessment year 1995-96, the owner pays the arrear of last year's and the current year's municipal taxes aggregating Rs. 5,000. The annual value will be:

Rateable value	Rs.	9,000	
Add: 1/9th of Rs. 9,000	Rs.	1,000	Rs. 10,000
Less: Municipal taxes paid during the year (For assessment years 1994-95 and 1995-96)			Rs. 5,000
Annual value			Rs. 5,000

EXAMPLE 3: In assessment year 1995-96, in the above case, the owner also pays municipal taxes relating to assessment year 1984-85 amounting to Rs. 2,500. This, however, will not be allowed as a deduction in assessment year 1995-96 because in the assessment year 1984-85, the municipal tax had already been allowed on accrual basis [Explanation 2 to section 23(1)].

1. The municipality first determines the gross rent of a house property. From such gross rent, the following expenses are first deducted:—
 - (i) If the property is fitted with a lift, liftman salary and cost of electricity consumed, and
 - (ii) If it is fitted with electric water pump, the pumpman salary.

From the balance, the municipality allows deductions on account of service taxes, such as sewerage tax and water tax.

EXAMPLE 4: The municipal rateable value of a residential building² situated in Bombay city is Rs. 10,000. The net rateable value has been arrived at by the Municipal Corporation after allowing 10% on account of the repairs and 30% on account of service taxes like sewerage (halalkhore) tax and water tax. The Municipal Corporation has levied the following taxes during the financial year 1993-94:

General tax	Rs.	2,800
Water tax	Rs.	2,000
Sewerage (halalkhore) tax	Rs.	1,000
State education cess	Rs.	600
Education cess	Rs.	500
Water benefit tax	Rs.	1,000
Sewerage benefit tax	Rs.	600
Municipal taxes paid during the financial year 1993-94	Rs.	8,500

The annual value of the property for the assessment year 1994-95 will be as under:—

Net municipal rateable value	Rs.	10,000
Add: 1/9th	Rs.	1,111
	Rs.	11,111
Add: Sewerage (halalkhore) & Water tax	Rs.	3,000
Gross rateable value	Rs.	14,111
Deduct: Municipal taxes due and paid for the financial year 1993-94:		
Total taxes	Rs.	8,500
Less: State education cess ³	Rs.	600
Water benefit tax & Sewerage benefit tax ⁴	Rs.	1,600
	Rs.	2,200
Annual value	Rs.	7,811

Thus, the annual value will be the starting point for computing property income.

(v) Computation of annual value of properties in Bombay city subject to Repair cess:

Under the Bombay Building Repairs and Reconstruction Board Act, 1969, a repair cess is levied to provide for the repairs or reconstruction of buildings in a dilapidated state situated within the limits of Greater Bombay. From 1-4-1974, the cess is levied at varying % rates of the rateable value of the property according to the classified categories of the buildings. Under section 28(h) of the said Act, any building exclusively in occupation of the owner is exempt from payment of the repair cess. Where the building is let-out to the tenants, the share of the owner in respect of the repair cess will be 10% of the rateable value and he is entitled to recover the remaining amount of the cess levied by increasing the rent of the let-out premises to that extent. The annual rateable value will have therefore to be further increased by the amount of the cess recouped from the tenant.

Illustration: Net rateable value Rs. 3,600: Repair cess levied at 42% (the property being residential and classified by the Bombay Municipality as category 'B' building) comes to Rs. 1,512.

The owner's share of cess @ 10% of the rateable value of Rs. 3,600	Rs.	360
Balance of the cess recoverable from the tenants @ 32% of the rateable value of Rs. 3,600	Rs.	1,152
	Rs.	1,512

ASSESSMENT YEAR 1994-95:

Municipal taxes levied and paid during the financial year 1993-94:				Taxes levied by the State Government:			
General tax	Rs.	1,008		State education cess ³	Rs.	180	
Sewerage (halalkhore) tax	Rs.	360		Repair cess	Rs.	1,512	
Education cess	Rs.	180					
Sewerage benefit tax	Rs.	216					
	Rs.	1,764			Rs.	1,692	

2. Employment Guarantee cess varying from 1% to 3% depending upon rateable value of property is being levied only on non-residential portion of the property in the city of Bombay. This cess is recoverable from tenants who occupy non-residential portion of the property.

3. State education cess not being a tax levied by a local authority, the same cannot be deducted to arrive at the "annual value". This is, however, a tax levied by the State Government and is an admissible deduction under clause (vii) of section 24(i). The deduction can be claimed in the manner explained in illustration given hereafter.

4. Water benefit tax & Sewerage benefit tax are recoverable from tenants and hence deducted from the municipal taxes.

5. The percentage of state education cess vary in accordance with the amount of rateable value fixed by the municipality.

The annual value of the property will be as under:

Municipal rateable value	.. .. .	Rs.	3,600
Add: 1/9th	.. .. .	Rs.	400
Sewerage (halalkhore) tax	.. .. .	Rs.	360
		Rs.	4,360
Add: Repair cess recoverable from the tenants by way of increase in rent	.. .. .	Rs.	1,152
		Rs.	5,512
Less: Municipal taxes (excluding State education cess) actually paid	.. .. .	Rs.	1,764
Less: Sewerage benefit tax (recoverable from tenants)	.. .. .	Rs.	216
		Rs.	1,548
Annual value of the property	.. .. .	Rs.	3,964
Less: Deductions allowable under section 24:			
Repairs @ 1/5th ^o of Rs. 3,964	.. .. .	Rs.	793
Repair cess paid (inclusive of amount recovered from tenants) ⁷	.. .. .	Rs.	1,512
State education cess ⁷	.. .. .	Rs.	180
		Rs.	2,485
Net property income	.. .. .	Rs.	1,479

(vi) Concession for newly constructed properties not in the occupation of the owner:

[2nd Proviso to Section 23(1)]

In the case of a building comprising of one or more residential units (not in the occupation of the owner), the construction of which is completed after 31-3-1982 but before 1-4-1992, a deduction, in respect of such units will be allowed from its annual value at the rate of Rs. 3,600 per residential unit or the annual value of such unit, whichever is less, for a period of five years from the date of the completion of such building.

EXAMPLE:- Shri Mehra started construction of house property consisting of 20 new residential units for letting-out. The construction of house property was completed on 31-3-1992. The income from house property after considering relief under clause (d) of the 2nd proviso to section 23(1) is as follows:

Assessment year 1993-94 & onwards:

Fair rent of 20 units at Rs. 500 per unit per month x 12 months	.. .. .	Rs.	1,20,000
Less: Municipal taxes (actually paid)	.. .. .	Rs.	24,000
		Rs.	96,000
Less: Deduction under clause (d) of 2nd proviso to section 23(1):			
20 Units at Rs. 3,600 (maximum since completed after 31-3-1982 but before 1-4-1992)	.. .. .	Rs.	72,000
		Rs.	24,000
Net annual letting value	.. .. .	Rs.	24,000
Less: Deductions under section 24:			
Repairs/collection charges @ 1/5th ^o of Rs. 24,000	.. .. .	Rs.	4,800
Interest on loan taken for construction of house	.. .. .	Rs.	20,000
Fire insurance premium	.. .. .	Rs.	1,000
		Rs.	25,800
Net loss from house property	.. .. .	Rs.	1,800

In the above example, since the property is completed after 31-3-1982 but before 1-4-1992, the assessee will be entitled to relief of Rs. 72,000 every year for a period of five years from the date of completion of the building.

Upto assessment year 1992-93 in respect of newly constructed residential units the loss, if any, resulting from deduction of new construction allowance as explained above as well as other deductions u/s. 24, like repairs, interest on borrowings, etc. will be available for set-off against other income in the same year under section 70 & 71, but the unabsorbed loss, if any, of one year cannot be carried forward and set-off in the following year(s).

In the above example, assuming that the business income of Shri Mehra is Rs. 40,000 his total income would be as under:

Business income	.. .. .	Rs.	40,000
Property income [Loss Rs. 1,800 cannot be set off u/s. 71(4) ⁹]	.. .. .	Rs.	Nil
Gross total income	.. .. .	Rs.	40,000

6. Upto assessment year 1992-93, deduction for repairs u/s. 24(1)(i) was 1/6th of the annual value.

7. Repair cess and State education cess are in the nature of taxes levied by the State Government and the same are deductible under section 24(1)(vii) of the Income-tax Act.

8. Upto assessment year 1992-93, deduction for: (i) repairs u/s. 24(1)(i) was 1/6th of the annual value, and (2) collection charges u/s. 24(1)(viii) was 6% of the annual value or amount actually spent, whichever was lower.

9. For assessment years 1993-94 and 1994-95, loss from any house property [other than property whose annual value is taken to be nil u/s. 23(2)(a)(i)] cannot be set off against income under any other head in the same assessment year [Section 71(4)]. For further details, refer item (viii)(A) on page 90].

(vii) Self-occupied property:

The annual value of a house or part of a house shall be taken to be 'nil', if—

- (i) it is in the occupation of the owner for the purposes of his own residence, or
- (ii) it is not actually let during any part of the previous year and no other benefit therefrom is derived by the owner. If it is let-out during any part of the previous year and for remaining part of the period it is in the occupation of owner, then, annual value of the house will be reduced in the proportion in which the period of occupation by the owner bears to the whole year as explained in examples given hereafter.

Where two or more than two houses are in the occupation of owner for the purposes of his own residence, then, the annual value shall be taken to be 'nil' only in respect of any one house of his choice. The annual value of the remaining house/or houses used for self-occupation by the owner will be computed [in the manner and method explained in item (iv) on page 86] as if the said house/houses were let-out.

It may be noted that, where the annual value of the house is taken to be 'nil', as discussed above, then, no deductions under section 24(1) as mentioned in item (xi) hereafter shall be allowed except in respect of interest paid, not exceeding Rs. 5,000 (Rs. 10,000, from assessment year 1995-96 and onwards), on funds borrowed for the purpose of acquiring, constructing, or reconstructing or repairing the said self-occupied property.

EXAMPLE 1: Shri Shah owns a house in Bombay which was let by him from 1-4-1993 to 30-6-1993 i.e., for three months. The compensation received during these 3 months was Rs. 2,000. Since 1-7-1993 it was in the occupation of Shri Shah. The municipal rateable value of the property is Rs. 7,200. The income from house property will be as under:

Municipal rateable value	Rs. 7,200
Add: 1/9th	Rs. 800
	Rs. 8,000
Less: Full municipal taxes actually paid during the year	Rs. 3,000
	Rs. 5,000
Less: Proportionate annual value for 9 months (1-7-1993 to 31-3-1994) for which the house was in the occupation of Mr. Shah [section 23(2)(a)(ii)]:	
Annual value Rs. 5,000 ÷ 12 months x 9 months (being the period of self-occupation by Mr. Shah)	Rs. 3,750
Annual value of property for let-out period for 3 months (1-4-93 to 30-6-93) ¹⁰	Rs. 1,250

EXAMPLE 2: During the financial year 1993-94, Shri Roy is a member of the Union Co-operative Housing Society and has been allotted a flat, the municipal valuation of which is Rs. 20,000. The society submits bills to individual members every year for the maintenance expenses including municipal taxes, ground rent, etc. etc. Shri Roy has also paid his proportionate share of interest amounting to Rs. 4,000 in respect of loan borrowed by the society for construction. His other sources of income are Rs. 25,000 and Rs. 30,000 on account of interest on fixed deposits with various companies and interest on fixed deposits with banks respectively.

The total income for the assessment year 1994-95 is computed as under:

1. Property income/loss:	
Annual value (being self-occupied)	Rs. NIL
Less: Interest on borrowings by the society (Mr. Roy's proportionate share)	Rs. 4,000
Loss in respect of house property	Rs. 4,000
2. Other sources of income:	
Interest on fixed deposits with companies	Rs. 25,000
Interest on fixed deposits with banks	Rs. 30,000
	Rs. 55,000
Less: Set-off of loss in respect of property income u/s. 71(1) ¹²	Rs. 4,000
Gross total income	Rs. 51,000
Less: Deduction under Chapter VIA:	
Under section 80L in respect of interest from bank:	
Maximum permissible deduction under section 80L, restricted to	Rs. 10,000
Taxable income	Rs. 41,000

(viii) Loss from house property:

(A) For assessment years 1993-94 & 1994-95^{12a}:

Loss in respect of any house property [other than house property whose annual value is taken to be 'nil' u/s. 23(2)(a) (i) i.e., self-occupied] cannot be set off against income under any other head in the same assessment year [Section 71(4)].

10. The annual value of Rs. 1,250 is to be further reduced by the deduction permissible under section 24(1). However, the deduction permissible u/s. 24(1) should not exceed the annual value of the property for the let-out period [Refer section 24 (3)].

11. Where house or part of a house in the occupation of the owner for the purposes of his own residence which is not let-out during any part of the previous year, the annual value of such house or part of a house is to be taken as 'Nil' [Vide section 23(2)(a)(i)].

12. Refer item (viii)(A) hereafter.

12a. From assessment year 1995-96 and onwards, loss in respect of any house property will be set off in the same year as explained in Para 6.3 on page 35.

Loss in respect of self-occupied house property whose annual value is taken to be 'nil' u/s. 23(2)(a)(i) can be set off against any other head of income in the same assessment year under sections 71(1) & 71(2). Provisions of section 71(4) are not applicable to such self-occupied house property.

Unabsorbed loss under the head "Income from house property" on account of payment of interest on borrowed capital therefor, referred to in section 24(1)(vi), will be carried forward to the following assessment years and set off against income from house property only upto assessment year 1994-95^{12b} [Section 71A].

(B) Upto assessment year 1992-93:

Loss in respect of house property whether let-out or self-occupied can be set off under section 71 against any other head of income in the same assessment year but cannot be carried forward to any subsequent assessment year.

Loss arising on account of any deduction admissible under section 24 such as interest on borrowings for the purpose of acquiring the property, payment of ground rent, etc. will not be ignored and is eligible for set off in the same assessment year.

From assessment year 1987-88 and onwards, in cases where the property is self-occupied and not let-out during any part of the previous year the annual value of such self-occupied property will be taken at 'nil' and no deduction u/s. 24(1) will be allowed except the deduction in respect of interest paid or payable on funds borrowed for the purpose of acquiring, constructing, reconstructing or repairing such self-occupied property. However, the maximum permissible deduction in respect of such interest is Rs. 5,000 (Rs. 10,000, from assessment year 1995-96 and onwards) [Proviso to section 24(2)]. To illustrate, where the property is self-occupied throughout the year, the annual value as stated above is to be taken at 'nil'. If the assessee has paid Rs. 3,000 by way of interest during the assessment year 1994-95 for constructing such property, the loss of Rs. 3,000 under the head "Income from house property" can be set off u/s. 71(1)/71(2) against any other head of income in the same assessment year. However, if such interest payment is in excess of Rs. 5,000, the loss for the purposes of set off against other heads of income is to be restricted to Rs. 5,000.

(ix) When self-occupied property cannot be occupied by the owner for certain reasons:

Section 23(3) provides that where an assessee owns only one residential house which cannot actually be occupied by him owing to the fact that he has to reside elsewhere (in a building not belonging to him) by reason of his employment, business or profession carried on at such other place, the annual value of such house shall be taken to be 'nil' if the house is not actually let and no other benefit therefrom is derived by him. As the annual value of such a house will be taken to be 'nil', no deduction will be allowed under section 24(1) [Vide section 24(2)].

(x) Property owned by co-owners:

Section 26 provides that where a house property is owned by two or more persons and their respective shares are determinate, such persons shall not be assessed in respect of such property as an association of persons but the share of each co-owner will be included in his total income.

Where the property is occupied throughout the year by the co-owners for their self-occupation, the annual value falling to the share of each co-owner is to be taken at 'nil' as explained in example 2 on page 90.

(xi) Deductions from house property income:

Section 24 provides that the income under the head "Income from house property" is to be computed after making the following deductions from the annual value determined under section 23:

- (i) (a) From assessment year 1993-94 and onwards, in respect of repairs of, and collection of rent from (i.e., collection charges), the property, a sum equal to 1/5th of the annual value.
- (b) Upto assessment year 1992-93, in respect of repairs at 1/6th of the annual value if the owner has to bear the cost of repairs. Where the tenant has undertaken to bear the cost of repairs, the deduction will be equal to the difference between the annual value and the rent payable by the tenant or a sum equal to 1/6th of the annual value, whichever is less.

- (ii) The premium paid to insure the property against risk of damage or destruction.

- (iii) Where the property is subject to any annual charge (not being a charge created by the assessee voluntarily or a capital charge), the amount of such charge.

- (iv) Where the property is subject to a ground rent, the amount of such ground rent.

- (v) Where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital, the amount of interest payable¹³ on such borrowings.

However, interest, if any, payable by an assessee in respect of funds borrowed for the acquisition or construction of house property and pertaining to the period prior to the previous year in which such property has been acquired or constructed shall be deducted in five equal annual instalments commencing from the previous year in which the house was acquired or constructed and each of the four immediately succeeding previous years. The amount of interest so deductible shall not include any amount of such interest allowed as a deduction under any other provision of the Act.

- (vi) Any sum paid on account of land revenue or any other tax levied by the State Government in

12b. However, under substituted section 71A, w.e.f. 1-4-1995, such unabsorbed loss can be set off as explained in Para 6.2 on page 35.

13. The Board has clarified that "Interest on house building advance taken by Central Government servants under the House Building Advances Rules can be allowed as deduction u/s. 24(1)(vi) on accrual basis even though such interest is payable later [Circular No. 363 dt. 24-6-85].

respect of the property—(e.g. State education cess, Repair cess).

(vii) Upto assessment year 1992-93, collection charges paid which should not exceed 6% of the annual value of the property. From assessment year 1993-94 and onwards, a composite deduction will be allowed in respect of repairs and collection charges at 1/5th of the annual value as explained in (i)(a) on page 91.

(viii) Where the property is let and was vacant during a part of the year, that part of the annual value which is proportionate to the period during which the property is wholly unoccupied. The vacancy allowance is allowable irrespective of whether the period during which the property remained vacant precedes or follows the period during which it is let-out.

(ix) Irrecoverable rent subject to the conditions prescribed in Rule 4 of the Income-tax Rules.

If the irrecoverable rent is realised subsequently, it will be brought to tax under section 25A as explained under item (xii) hereafter.

None of the above deductions are allowable where the annual value of the house kept for self-occupation is to be taken at 'nil' under sections 23(2)(a)(i) & 23(3) as explained in items (vii) on page 90 and (ix) on page 91.

However, interest not exceeding Rs. 5,000 (Rs. 10,000, from assessment year 1995-96 and onwards) paid on funds borrowed for the purpose of acquiring, constructing, or reconstructing or repairing the self-occupied property which is not let-out during any part of the previous year will be allowed as deduction as explained under item (vii) on page 90. This deduction is not admissible in cases where the property is of the nature referred to in item (ix) on page 91.

EXAMPLE: Shri Shah inherited a house property from his deceased brother who had directed Shri Shah to pay Rs. 4,000 per annum to the widow of the deceased. The annual municipal valuation of the building is Rs. 27,000. Municipal taxes to the extent of Rs. 6,000 were borne by the tenants. Shri Shah borrowed a sum of Rs. 20,000 for the purposes of heavy repairs to the house and paid Rs. 2,400 as interest. Shri Shah has mortgaged the property and the mortgaged amount is spent on the marriage of his daughter and interest paid on the mortgage is Rs. 2,000 per annum.

Assessment year 1994-95:		
Rateable value as per municipal valuation	Rs.	27,000
Add: 1/3th	Rs.	3,000
	Rs.	30,000
Less: Municipal taxes levied and paid during the year	Rs.	9,000
Less: Municipal taxes borne by the tenants	Rs.	6,000
	Rs.	3,000
Less: Deductions allowable under section 24(1):	Annual value	Rs. 27,000
(1) Repairs/collection charges @ 1/5th ¹⁴ of Rs. 27,000	Rs.	5,400
(2) Premium paid to insure the property against risk of damage	Rs.	400
(3) Annual charge on the property (not created voluntarily)	Rs.	4,000
(4) Ground rent	Rs.	3,000
(5) Interest on borrowed capital (for heavy repairs)	Rs.	2,400
(6) Interest on mortgage for marriage of daughter (not admissible) ¹⁵	Rs.	Nil
(7) Sum paid on account of land revenue	Rs.	600
	Rs.	15,800
	Property income..	Rs. 11,200

(xii) Special provision for cases where unrealised rent allowed as deduction is realised subsequently:

Recovery of irrecoverable rent allowed as a deduction earlier will be brought to tax in the year of recovery as income from house property. No deduction either u/s. 23 or 24 will be allowed from the amount so brought to tax. It is not necessary that the assessee must be the owner of the house property in that year (i.e. the year in which irrecoverable rent is realised) and recovery of such irrecoverable rent can be brought to tax only in the hands of the assessee who availed the benefit of deduction u/s. 24(1)(x) in earlier year or years [Section 25A].

EXAMPLE: Mr. Dalal had let-out a house property to Mr. Shah at an annual rent of Rs. 12,000. During assessment years 1981-82, 1982-83 and 1983-84 Mr. Shah failed to pay the rent. In assessment year 1984-85, Mr. Dalal was allowed deduction of Rs. 12,000 only as irrecoverable rent u/s. 24(1)(x). On 31-3-1984 Mr. Dalal sold the house, after evicting Mr. Shah. In assessment year 1994-95, Mr. Dalal recovered Rs. 30,000 inclusive of Rs. 12,000 allowed u/s. 24(1)(x) (out of Rs. 36,000 being the unpaid rent) from Mr. Shah through the Court.

House property income for assessment year 1994-95 of Mr. Dalal will be Rs. 12,000

- Notes:**
- (1) No deduction u/s. 23 or 24 will be allowed from this sum of Rs. 12,000.
 - (2) In assessment year 1994-95 even though Mr. Dalal does not own the said house, the above sum of Rs. 12,000 will be brought to tax as house property income.
 - (3) Mr. Dalal cannot claim the sum of Rs. 6,000 (Rs. 36,000 unrealised rent less Rs. 30,000 recovered rent), the irrecoverable rent not allowed in earlier years, as deduction u/s. 24(1)(x). This is because no deduction u/s. 23 or 24 is allowable from this sum of Rs. 12,000.

¹⁴ Upto assessment year 1992-93, deduction for: (1) repairs u/s. 24(1)(i) is 1/6th of the annual value, and (b) collection charges u/s. 24(1)(viii) is 6% of the annual value or amount actually spent, whichever is lower.

¹⁵ Since the amount on mortgage is raised for personal expenses, the interest payable thereon is not deductible.

PROFITS AND GAINS OF BUSINESS OR PROFESSION

[From assessment year 1991-92 and onwards]

[Sections 28 to 44D]

(i) Business:

As defined in section 2(13) of the Income-tax Act, "Business" includes any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture.

For the purpose of computing business income, speculation business, if any, carried on by an assessee will be treated as distinct and separate from any other business carried on by him [Explanation 2 to section 28].

(ii) Profession:

Under section 2(36), "Profession" is defined to include vocation. Income from the exercise of any profession or vocation which calls for an intellectual or manual skill, falls under this head. It covers cases of doctors, lawyers, chartered accountants, architects, consulting engineers, artists, sculptors, musicians, singers, etc.

(iii) Business or professional income:

Under section 28, following income is assessable as income from business or profession:

- (a) profits and gains of business or profession carried on during any part of the previous year;
- (b) compensation received for modification in, or termination of, managing agency agreement;
- (c) compensation received for nationalisation of business or property;
- (d) income derived by a trade, professional or similar association from specific services performed for its members;
- (e) the value of any benefit or perquisite arising from business or profession;
- (f) profit on sale of import entitlement licences granted to exporter;
- (g) cash assistance received or receivable by exporter;
- (h) any duty of customs or excise re-paid or re-payable as drawback to exporter;
- (i) from assessment year 1993-94 and onwards, any interest, salary, bonus, commission or remuneration, by whatever name called, due to, or received by, a partner of a firm from such firm. However, the amount of salary, remuneration, etc. and/or interest which is disallowed in the hands of the firm u/s. 40(b) and taxed at the maximum marginal rate, will be reduced from the salary, remuneration, etc. and/or interest assessable in the hands of the partner.

(iv) Receipts deemed to be profits and gains of business or profession:

Under section 28, profits and gains of any business or profession are chargeable to tax provided the business or profession is carried on in that year. However, the following receipts are deemed to be the profits chargeable to tax even though the business or profession to which they relate ceased to be in existence in the year of their receipt:

- (a) where any allowance or deduction has been made in the assessment of any year in respect of loss, expenditure or trading liability and subsequently, during any previous year any amount is received by the assessee whether in cash or in any other manner whatsoever in respect of such loss or expenditure or any benefit is obtained in respect of such trading liability by way of remission or cessation thereof, the amount so received or the value of the benefit so obtained shall be deemed to be profits and gains of the business or profession. In other words, the person who receives the benefit of cessation of liability should be the same person who was allowed the deduction for such liability [Section 41(1)].

However, from assessment year 1993-94 and onwards, successor-in-business receiving the benefit also will be taxed on such benefit. In the case of amalgamation of a company, the amalgamated company will be the successor; in the case of a firm, if succeeded by another firm, the successor firm will be the successor. In any other case, any other person succeeding to that business or profession, shall be the successor [Substituted section 41(1)];

- (b) where an item of asset representing expenditure of a capital nature on scientific research is sold without having been used for other purposes and the proceeds of the sale together with the amount of deduction allowed under section 35(2) & (2B) exceed the amount of capital expenditure, such excess or the amount of deductions allowed, whichever is less, shall be chargeable to income-tax as income of the business or profession of the previous year in which the sale took place [Section 41(3)];

- (c) where a deduction has been allowed in respect of a bad debt or part of debt under section 36(1)(vii), and, if the amount subsequently recovered on such debt or part is greater than the difference between the debt or part of debt and the deduction so allowed, the excess realisation shall be deemed to be the business income of the year in which the debt is recovered [Section 41(4)];

EXAMPLE: A business debt of Rs. 30,000 was due to an assessee out of which Rs. 20,000 was written off by him as irrecoverable in the assessment year 1990-91 and allowed as a deduction in that assessment. Thus, the balance amount of Rs. 10,000 was considered to be recoverable. As against Rs. 10,000 the assessee has actually recovered Rs. 15,000 in the previous year relevant to the assessment year 1994-95. Whether the business in respect of which deduction had been allowed is in existence in that year or not, the difference of Rs. 5,000 will be deemed to be the business income of the assessee for the assessment year 1994-95.

(d) any sum received after the discontinuance of a business shall be treated as the income of the recipient in the year of receipt, if such sum would have been included in the total income of the person who carried on the business had such sum been received before such discontinuance [Section 176(3A)];

(e) where any profession is discontinued in any year on account of the cessation of the profession by reason of the retirement or death of the person carrying on the same, any sum received after the discontinuance shall be deemed to be the income of the recipient and charged to tax accordingly in the year of receipt, if such sum would have been included in the total income of the aforesaid person had it been received before such discontinuance [Section 176(4)].

(v) Deductions from business or professional income:

Business expenditure is allowable only when any business or profession was carried on by the assessee at any time during the previous year. No deduction is admissible where the business or profession has been discontinued and has not been carried on at any time during the previous year.

Some of the important deductions admissible in computing the income from business or profession are discussed below:-

(1) Rent, rates, taxes, repairs and insurance for business or professional premises:

(Section 30 read with section 38)

(a) where the premises are occupied by the assessee as a tenant, the rent paid for the premises and if he has undertaken to bear the cost of repairs to the premises, the amount paid on account of such repairs;

(b) where the premises are owned by the assessee, the amount paid by him on current repairs to the premises;

(c) any sums paid on account of land revenue, local rates or municipal taxes;

(d) the amount of any premium paid in respect of insurance against risk of damage or destruction of the premises.

Where the hired premises are occupied by the assessee partly for business or professional purposes and partly as dwelling house, the deduction in respect of rent paid, cost of repairs and any sums paid on account of land revenue, local rates or municipal taxes will be allowed only in proportion to the part used for the purposes of business or profession.

If the premises, used partly for business or professional purposes and partly for residential purposes, are owned by the assessee, proportionate expenditure, in relation to the part used for business or professional purposes will be allowed on account of cost of current repairs, land revenue, local rates or municipal taxes.

(2) Repairs and insurance of machinery, plant and furniture:

(Section 31)

Current repairs to, and premium paid in respect of insurance of, machinery, plant or furniture used for the purposes of business or profession is an admissible deduction.

(3) Depreciation:

(Section 32)

Depreciation allowance in respect of buildings, machinery, plant or furniture is to be allowed as a deduction.

(i) Conditions for allowing depreciation allowance:

(a) the assets should be owned by the assessee; and

(b) the assets should actually be used for the purpose of the assessee's business or profession.

(ii) "Plant" has been defined to include ships, vehicles, books, scientific apparatus and surgical equipment used for the purposes of business or profession [Section 43(3)].

(iii) *Disallowance of depreciation on land:*—Depreciation is not allowable on the cost of the land on which the building is erected but only on the superstructure.

(iv) *Depreciation in respect of machinery acquired on hire purchase agreement:*—Under section 32(1), depreciation on machinery and plant is to be allowed only to the owner thereof who actually uses it for the purpose of his business or profession. In the case of machinery or plant acquired under hire purchase agreement, the lessee is allowed

(v) *Depreciation of full cost in respect of items of machinery and plant of certain value:*—Under the first proviso to section 32(1)(ii), where the actual cost of each unit of the machinery or plant does not exceed Rs. 5,000, the whole of such cost will be allowed as deduction from the profits of the previous year in which the machinery or plant is first put to use for the purpose of business or profession. However, this concession is not applicable to furniture.

Note: Where depreciation of full cost in respect of items of machinery and plant is allowed under section 32(1)(ii), then, investment allowance under section 32A and investment deposit account under section 32AB is not admissible.

(vi) *Basis of calculation of depreciation allowance:*—This is to be calculated as under:—

Depreciation will be allowed on the written down value of the block of assets. "Block of assets" means a group of assets falling within a class of assets, being buildings, machinery, plant or furniture, in respect of which the same percentage of depreciation is prescribed. Ocean-going ships also will be included in the block of assets.

(vii) *Actual cost:*—This is defined under section 43(1) and means actual cost of the assets to the assessee, reduced by that portion of the cost thereof, if any, as has been met directly or indirectly by any other person or authority.

Interest paid or payable on borrowed funds in connection with the acquisition of a depreciable asset and capitalised as pre-commencement expenses, before the asset is first put to use can be added to the cost of the asset for claiming depreciation, investment allowance, etc. However, such interest relating to the period after the asset acquired is first put to use cannot be added to the actual cost of the asset. The interest paid in such a case is allowable as revenue expenditure year by year.

(viii) *Cost deemed to be the actual cost:*—

(a) Where an asset is acquired by way of gift or inheritance, the actual cost to the assessee shall be the actual cost of the previous owner as reduced by depreciation actually allowed [Explanation 2 to section 43(1)].

(b) Where, before the date of acquisition by the assessee, the assets were at any time used by any other person for the purpose of his business or profession and the Assessing Officer is satisfied that the main purpose of the transfer of such assets, directly or indirectly to the assessee, was the reduction of a liability to income-tax (by claiming depreciation with reference to an enhanced cost), the actual cost to the assessee shall be deemed to be such amount as the Assessing Officer may, with the previous approval of the Deputy Commissioner determine having regard to all the circumstances of the case [Explanation 3 to section 43(1)].

(ix) *Written down value:*—This is defined under section 43(6) and means:

For assessment year 1988-89:

In the case of block of assets, the written down value shall be arrived at as under:

(a) The aggregate of the written down value of all the assets falling within that block of assets at the beginning of the previous year shall first be calculated;

(b) the aggregate of the written down value arrived at as in (a), shall be increased by the actual cost of any asset falling in that block which was acquired during the previous year; and

(c) the sum so arrived at in (b) shall be reduced by the moneys receivable together with scrap value, if any, in respect of any asset falling within that block which is sold or discarded or demolished or destroyed during the previous year, so, however, that the amount of such reduction does not exceed the written down value as so increased.

Assessment year 1989-90 & onwards:

The written down value of any block of assets in the immediately preceding previous year shall be reduced by the depreciation actually allowed in respect of that block of assets in relation to the said preceding previous year and as further adjusted by increase or the reduction as mentioned in (b) & (c) above.

EXAMPLE: Mr. Shah is maintaining books of accounts from April to March. He has the following plants and factory buildings:

Assessment year 1987-88:

		Plant 'A'	Plant 'B'
		Rs.	Rs.
W.D.V. as on 1-4-1986	.. .. .	3,52,941	8,23,529
Less: Depreciation @ 15%	.. .. .	52,941	1,23,529
W.D.V. of the First Block at beginning of assessment year 1988-89	..	3,00,000	7,00,000
		Building 'X'	Building 'Y'
W.D.V. as on 1-4-1986	.. .. .	22,22,222	11,11,111
Less: Depreciation @ 10%	.. .. .	2,22,222	1,11,111
W.D.V. of the Second Block at beginning of assessment year 1988-89	..	20,00,000	10,00,000

Assessment year 1988-89:

	<u>First Block (Plants)</u>	<u>Second Block (Buildings)</u>
	<u>Rs.</u>	<u>Rs.</u>
W.D.V. at beginning of assessment year 1988-89:		
First Block: Plant "A" Rs. 3,00,000 and Plant "B" Rs. 7,00,000	10,00,000	
Second Block: Building "X" Rs. 20,00,000 and Building "Y" Rs. 10,00,000 ..		30,00,000
Less: Depreciation @ 33.33% (First Block)/10% (Second Block)	3,33,300	3,00,000
W.D.V. at beginning of assessment year 1989-90	<u>6,66,700</u>	<u>27,00,000</u>

Assessment year 1989-90:

W.D.V. at beginning of assessment year 1989-90	6,66,700	27,00,000
Less: Depreciation @ 33.33% (First Block)/10% (Second Block)	2,22,211	2,70,000
W.D.V. at beginning of assessment year 1990-91	<u>4,44,489</u>	<u>24,30,000</u>

Assessment year 1990-91:

W.D.V. at beginning of assessment year 1990-91.. ..	4,44,489	24,30,000
Less: Depreciation @ 33.33% (First Block)/10% (Second Block)	1,48,148	2,43,000
W.D.V. at beginning of assessment year 1991-92	<u>2,96,341</u>	<u>21,87,000</u>

Assessment year 1991-92:

W.D.V. at beginning of assessment year 1991-92.. ..	2,96,341	21,87,000
Less: Depreciation @ 33.33% (First Block)/10% (Second Block)	98,770	2,18,700
W.D.V. at beginning of assessment year 1992-93	<u>1,97,571</u>	<u>19,68,300</u>

Assessment year 1992-93:

W.D.V. at beginning of assessment year 1992-93.. ..	1,97,571	19,68,300
Less: Depreciation @ 25% (First Block)/10% (Second Block).	49,393	1,96,830
W.D.V. at beginning of assessment year 1993-94	<u>1,48,178</u>	<u>17,71,470</u>

Assessment year 1993-94:

W.D.V. at beginning of assessment year 1993-94.. ..	1,48,178	17,71,470
Less: Depreciation @ 25% (First Block)/10% (Second Block).	37,045	1,77,147
W.D.V. at beginning of assessment year 1994-95	<u>1,11,133</u>	<u>15,94,323</u>

Assessment year 1994-95:

During the financial year ending on 31-3-1994 Mr. Shah —		
(1) acquires new plant "C" for	Rs. 5,00,000	
(2) sells old plant "A" for	Rs. 6,00,000	
(3) acquires new building "Z" for	Rs. 10,00,000	
(4) sells old building "Y" for	Rs. 15,00,000	
W.D.V. at beginning of assessment year 1994-95.. ..		
Add: Cost of plant "C"/building "Z" acquired during the previous year	1,11,133	15,94,323
	<u>5,00,000</u>	<u>10,00,000</u>
Less: Sale proceeds of plant "A"/building "Y" during the previous year	6,11,133	25,94,323
	<u>6,00,000</u>	<u>15,00,000</u>
W.D.V. before depreciation		
Less: Depreciation @ 25% (First Block)/10% (Second Block)	11,133	10,94,323
W.D.V. at beginning of assessment year 1995-96	<u>2,783</u>	<u>1,09,432</u>
	<u>8,350</u>	<u>9,84,891</u>

In the above example, if plant 'A' of First Block and building 'Y' of Second Block had been sold for Rs. 10,00,000 & Rs. 35,00,000 respectively, then, not only the depreciation is not allowable for assessment year 1994-95 but the excess of Rs. 3,88,867 in respect of First Block and excess of Rs. 9,05,677 in respect of Second Block will be treated as "Short-term capital gains" under section 50 as explained in illustrations on page 125.

(x) *Depreciation on motor car manufactured outside India:*— Where such car is acquired after 28-2-1975, no depreciation is admissible. However, depreciation will be allowed on such car if it is used—

(a) upto assessment year 1991-92, for hiring to tourists,

(b) from assessment year 1992-93 and onwards,—

(1) for hiring to tourists, or

(2) outside India by an assessee in his business or profession in another country [Amended 2nd proviso to section 32(1)(ii)].

(xi) *Depreciation on machinery or plant of mineral oil prospecting concerns:*— Under clause (b) of the second proviso to section 32(1)(ii), from assessment year 1992-93 and onwards, depreciation is not allowable in respect of machinery or plant, if the actual cost thereof is allowed as deduction under an agreement entered into by the Central Government u/s. 42.

(xii) *Restriction on depreciation allowance only for assessment year 1991-92, in the case of all companies:*— As per the 4th proviso to section 32(1)(ii), only for assessment year 1991-92, depreciation allowance on written down value of any block of assets, in the case of companies, is to be restricted to 75% of the amount calculated at the percentage prescribed in the Income-tax Rules, 1961. The written down value of the block of assets for assessment year 1992-93 will be arrived at by reducing the 75% of the normal depreciation allowance in respect of assessment year 1991-92. For example, refer page 84 of Income-tax Ready Reckoner 1993-94 (55th year of Publication).

(xiii) *Prescribed rates at which depreciation is to be allowed:*— Different rates of depreciation for different block of assets are prescribed in Appendix I, read with Rule 5 of the Income-tax Rules, 1962. These rates have been revised w.e.f. 2-4-1987 and will be applicable for the assessment year 1988-89 and onwards. The substituted Rule 5 and Appendix I, for ready reference is given hereunder:

Rule 5. Depreciation. (1) Subject to the provisions of sub-rule (2), the allowance under clause (ii) of sub-section (1) of section 32 in respect of depreciation of any block of assets shall be calculated at the percentages specified in the second column of the Table in Appendix I to these rules on the written down value of such block of assets as are used for the purposes of the business or profession of the assessee at any time during the previous year.

(2) Where any new machinery or plant is installed during the previous year relevant to the assessment year commencing on or after the 1st day of April, 1988, for the purposes of business of manufacture or production of any article or thing and such article or thing—

(a) is manufactured or produced by using any technology (including any process) or other know-how developed in, or

(b) is an article or thing invented in,

a laboratory owned or financed by the Government or a laboratory owned by a public sector company or a University or an institution recognised in this behalf by the Secretary, Department of Scientific and Industrial Research, Government of India, such plant or machinery shall be treated as a part of block of assets qualifying for depreciation at the rate of 40 per cent.³ of written down value, if the following conditions are fulfilled, namely:—

(i) the right to use such technology (including any process) or other know-how or to manufacture or produce such article or thing has been acquired from the owner of such laboratory or any person deriving title from such owner;

(ii) the return furnished by the assessee for his income, or the income of any other person in respect of which he is assessable, for any previous year in which the said machinery or plant is acquired, shall be accompanied by a certificate from the Secretary, Department of Scientific and Industrial Research, Government of India, to the effect that such article or thing is manufactured or produced by using such technology (including any process) or other know-how developed in such laboratory or is an article or thing invented in such laboratory; and

(iii) the machinery or plant is not used for the purpose of business of manufacture or production of any article or thing specified in the list in the Eleventh Schedule to the Act.

Explanation: For the purposes of this sub-rule,—

(a) “laboratory financed by the Government” means a laboratory owned by any body (including a society registered under the Societies Registration Act, 1860), and financed wholly or mainly by the Government;

(b) “public sector company” means any corporation established by or under any Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956; and

(c) “University” means a University established or incorporated by or under a Central, State or Provincial Act and includes an institution declared under section 3 of the University Grants Commission Act, 1956, to be a University for the purposes of that Act.

1. Where tour operators/travel agents use certain foreign motor cars, owned by them, for providing transportation services to tourists, depreciation will be allowed on these cars [Vide Circular No. 609, dt. 29-7-1991. 191 ITR (St.)].

2. In the case of domestic companies, unabsorbed depreciation/investment allowance relating to assessment year 1991-92 and earlier years which are to be set off in assessment year 1992-93, 2/3rd of either or both will be set off in assessment year 1992-93. For further details, refer item (xvii) on page 101.

3. Upto assessment year 1991-92, the rate of depreciation is 50%, as against 40%, of the written down value.

Rates of Depreciation for the assessment year 1988-89 & onwards:

APPENDIX I

(See rule 5)

TABLE OF RATES AT WHICH DEPRECIATION IS ADMISSIBLE

Blocks of assets	Depreciation allowance as percentage of written down value
1	2
I. Buildings (see Notes 1 to 3 below the Table on page 100)	
(1) Buildings other than those covered by sub-item (3) below which are used mainly for residential purposes	5
(2) Buildings which are not used mainly for residential purposes and which are not covered by sub-item (3) below	10
(3) (i) Buildings used as hotels	20
(ii) Buildings with dwelling units each with plinth area not exceeding 80 square metres	
(4) Purely temporary erections such as wooden structures	100
II. Furniture and Fittings:	
(1) Rate applicable to furniture and fittings not covered by sub-item (2) below	10
(2) Furniture and fittings used in hotels, restaurants and boarding houses; schools, colleges and other educational institutions; libraries, welfare centres; meeting halls; cinema houses; theatres and circuses; and furniture and fittings let out on hire for use on the occasion of marriages and similar functions	15
III. Machinery and Plant:	
(1) Machinery and plant other than those covered by sub-items (1-A), (2) and (3) below	25 ⁴
(1A) Motor cars, other than those used in a business of running them on hire, acquired or put to use on or after 1st day of April, 1990	20
(2) (i) Aeroplanes — Aero-engines	40 ⁶
(ii) Motor buses, motor lorries ⁵ and motor taxis used in a business of running them on hire	
(iii) Moulds used in rubber and plastic goods factories	
(iv) Air pollution control equipments, being —	100 ⁷
(a) Electrostatic precipitation systems,	
(b) Felt-filter systems,	
(c) Dust collector systems,	
(d) Scrubber-counter current/venturi/packed-bed/cyclonic scrubbers	
(e) Ash handling system and evacuation system ⁷	
(v) Water pollution control equipments, being —	
(a) Mechanical screen systems,	
(b) Aerated detritus chambers (including air compressor),	
(c) Mechanically skimmed oil and grease removal systems,	
(d) Chemical feed systems and flash mixing equipment,	
(e) Mechanical flocculators and mechanical reactors,	
(f) Diffused air/mechanically aerated activated sludge systems,	
(g) Aerated lagoon systems,	
(h) Biofilters,	
(i) Methane-recovery anaerobic digester systems,	
(j) Air floatation systems,	
(k) Air/steam stripping systems,	
(l) Urea hydrolysis systems,	
(m) Marine outfall systems,	
(n) Centrifuge for dewatering sludge,	
(o) Rotating biological contactor or bio-disc,	
(p) Ion exchange resin Column,	
(g) Activated Carbon Column.	
(vi) (a) Solid waste control equipments, being-Gaustic/lime/chrome/mineral/cryolite recovery system.	
(b) Solidwaste recycling and resource recovery systems ⁷ .	

4. The rate of depreciation in respect of assets specified in item III (1) is 33.33% in relation to assessment years 1988-89 to 1991-92.

5. The C.B.D.T. has clarified that "motor vans" are akin to "motor lorries" or "motor buses" and, therefore, higher rate of depreciation will be allowed on motor vans also, if they are used for providing transport services to tourists" [Vide Circular No. 609 dt. 29-7-1991. 191 ITR (St.) 1]. Higher depreciation will also be admissible on motor lorries used in the assessee's business of transportation of goods on hire. The higher rate of depreciation, however, will not apply if motor buses, motor lorries, etc. are used in some other non-hiring business of the assessee [Vide Circular No. 632 dt. 14-6-1993. 202 ITR (St.) 55].

6. The rate of depreciation in respect of assets specified in item III (2) (i), (ii) & (iii) is 50% in relation to assessment years 1988-89 to 1991-92.

7. The rate of depreciation in respect of assets specified in item III (2)(iv), (v) & (vi) in relation to: (a) assessment years 1988-89 to 1991-92 is 50% & (b) assessment years 1992-93 & 1993-94 is 40%. Item (e) in entry (iv) and item (b) in entry (vi) is inserted with effect from assessment year 1994-95 and onwards [Vide Income-tax Seventeenth (Amendment) Rules, 1993. 204 ITR (St.) 30].

- (vii) Machinery and plant, used in semi-conductor industry covering all integrated circuits (ICs) (excluding hybrid integrated circuits) ranging from small scale integration (SSI) to large scale integration/very large scale integration (LSI/VLSI) as also discrete semi-conductor devices such as diodes, transistors, thyristors, triacs, etc., other than those covered by entries (iv), (v) and (vi) of this sub-item and sub-item (3) below: 40

(3) (i) Wooden parts used in artificial silk manufacturing machinery

(ii) Cinematograph films-bulbs of studio lights.

(iii) Energy saving devices, being —

A. Specialised boilers and furnaces —

- (a) Ignifluid/fluidized bed boilers
- (b) Flameless furnaces and continuous pusher type furnaces
- (c) Fluidized bed type heat treatment furnaces
- (d) High efficiency boilers (thermal efficiency higher than 75 per cent. in case of coal fired and 80 per cent. in case of oil/gas fired boilers)

B. Instrumentation and monitoring system for monitoring energy flows:

- (a) Automatic electrical load monitoring systems
- (b) Digital heat loss meters
- (c) Micro-processor-based control systems
- (d) Infra-red thermography
- (e) Meters for measuring heat losses, furnace oil flow, steam flow, electric energy and power factor meters
- (f) Maximum demand indicator and clamp on power meters
- (g) Exhaust gases analyser
- (h) Fuel oil pump test bench

C. Waste heat recovery equipments:

- (a) Economisers and feed water heaters
- (b) Recuperators and air pre-heaters
- (c) Heat pumps
- (d) Thermal energy wheel for high and low temperature waste heat recovery

D. Co-generation systems:

- (a) Back pressure pass out, controlled extraction, extraction-cum-condensing turbines for cogeneration alongwith pressure boilers
- (b) Vapour absorption refrigeration systems
- (c) Organic rankine cycles power systems
- (d) Low inlet pressure small steam turbines

E. Electrical equipments:

- (a) Shunt capacitors and synchronous condenser systems
- (b) Automatic power cut-off devices (relays) mounted on individual motors
- (c) Automatic voltage controller
- (d) Power factor controller for A.C. motors
- (e) Solid state devices for controlling motor speeds
- (f) Thermally energy-efficient Stenters (which require 800 or less kilo calories of heat to evaporate one kilogram of water)

F. Burners:

- (a) 0 to 10% excess air burners
- (b) Emulsion burners
- (c) Burners using air with high pre-heat temperature (above 300°C)

G. Other equipments:

- (a) Wet air oxidation equipment for recovery of chemicals and heat
- (b) Mechanical vapour recompressors
- (c) Thin film evaporators
- (d) Automatic micro-processor based load demand controllers
- (e) Coal based producer gas plants
- (f) Fluid drives and fluid couplings
- (g) Turbo charges/Super-charges

(iv) Flour mills — Rollers

(v) Gas cylinders including valves and regulators

(vi) Glass manufacturing concerns — Direct fire glass melting furnaces

(vii) Iron and steel industry — Rolling mill rolls

(viii) Match factories — Wooden match frames

(ix) Mineral oil concerns —

- (a) Plant used in field operations (above ground) Distribution — Returnable packages
- (b) Plant used in field operations (below ground), but not including kerbside pumps including underground tanks and fittings used in field operations (distribution) by mineral oil concerns.

- (x) Mines and quarries—
 - (a) Tubs, winding ropes, haulage ropes and sand stowing pipes
 - (b) Safety lamps
- (xi) Salt works—Salt pans, reservoirs and condensers, etc., made of earthy, sandy or clayey material or any other similar material
- (xii) Sugar Works—Rollers
- (xiii) Renewed energy devices being—
 - (a) Flat plate solar collectors
 - (b) Concentrating and pipe type solar collectors
 - (c) Solar cookers
 - (d) Solar water heaters and systems
 - (e) Air/gas/fluid heating systems
 - (f) Solar crop driers and systems
 - (g) Solar refrigeration, cold storages and air-conditioning systems
 - (h) Solar steels and desalination systems
 - (i) Solar power generating systems
 - (j) Solar pumps based on solar thermal and solar photovoltaic conversion
 - (k) Solar photovoltaic modules and panels for water pumping and other applications
 - (l) Wind mills and any specially designed devices which run on wind mills
 - (m) Any special devices including electric generators and pumps running on wind energy
 - (n) Biogas plant and biogas engines
 - (o) Electrically operated vehicles including battery powered or fuel-cell powered vehicles
 - (p) Agricultural and municipal waste conversion devices producing energy
 - (q) Equipment for utilising ocean waste and thermal energy
 - (r) Machinery and plant used in the manufacture of any of the above sub-items

100

IV. Ships—

- | | |
|--|----|
| (1) Ocean-going ships including dredgers, tugs, barges, survey launches and other similar ships used mainly for dredging purposes and fishing vessels with wooden hull | 20 |
| (2) Vessels ordinarily operating on inland waters, not covered by sub-item 3 below. | 10 |
| (3) Vessels ordinarily operating on inland waters being speed boats (see Note 4 below the Table) | 20 |

NOTES:

1. "Buildings" include roads, bridges, culverts, wells and tubewells.
2. A building shall be deemed to be building used mainly for residential purposes, if the built-up floor area thereof used for residential purposes is not less than sixty-six and two-third per cent. of its total built-up floor area.
3. In respect of any structure or work by way of renovation or improvement in or in relation to a building referred to in Explanation 1 of clause (ii) of sub-section (1) of section 32, the percentage to be applied will be the percentage specified against sub-items (1), (2) or (3) of item 1 as may be appropriate to the class of building in or in relation to which the renovation or improvement is effected. Where the structure is constructed or the work is done by way of extension of any such building, the percentage to be applied would be such percentage as would be appropriate, as if the structure or work constituted a separate building.
4. "Speed boat" means a motor boat driven by a high speed internal combustion engine capable of propelling the boat at a speed exceeding 24 kilometers per hour in still water and so designed that when running at a speed it will plane, i.e., its bow will arise from the water.

(xiv) *Normal depreciation*.—Under Rule 5 of the Income-tax Rules, 1962, depreciation allowance is to be calculated at the specified rates on all categories of depreciable assets which are in use in business or profession at any time during the previous year. Thus, upto assessment year 1991-92, if the asset has been purchased towards the end of the previous year and is in use even for few days during the previous year, it will qualify for full normal depreciation as if it were in use for the whole year.

However, from assessment year 1992-93 and onwards, if any asset falling within a block of assets is acquired by the assessee during the previous year and is put to use for the purposes of business or profession for a period of less than 180 days in that previous year, depreciation on such asset will be allowed at 50% of the depreciation allowable according to the percentage prescribed in respect of the block of assets comprising such asset [3rd proviso to section 32(1)(ii)].

(xv) *Depreciation on the construction of any structure or work on leased or rental premises*.—Under Explanation 1 to section 32(1)(ii), any capital expenditure incurred by an assessee on the construction of any structure or work by way of renovation or extension of, or improvement of the building held under lease or other right of occupancy for the purpose of his business or profession will qualify for depreciation allowance on its written down value at the rates prescribed under the Income-tax Rules. Under section 32(2), the unabsorbed depreciation allowance admissible under section 32(1)(ii) will be carried forward in the same manner and to the same extent as unabsorbed depreciation in respect of other assets.

(xvi) *Unabsorbed depreciation*.—Sub-section (2) of section 32 provides that where effect cannot be given either in full or in part to the depreciation allowance in any assessment year for want of profits and gains chargeable for that year depreciation of that year shall be added to the depreciation of the following year and deemed to be part of that allowance or if there is no such depreciation allowance for that year, be deemed to be the depreciation allowance of that year and so on for the succeeding years.

The Courts have interpreted the words "profits and gains" mentioned in the above sub-section as "profits and gains" under all heads of income and not as profits and gains only of business and profession. In view of this, the unabsorbed depreciation is to be set off as under:—

The unabsorbed depreciation in respect of a particular business is first to be set off against the profits of any other business. If there is no other business, or the profit from any other business is insufficient, the portion of the unabsorbed depreciation is to be set off against the income, if any, chargeable under any other head of income for that year. The balance of unabsorbed depreciation still left shall be carried forward and added to the amount of the depreciation allowance of the following year and deemed to be part of that allowance for that year and the aggregate depreciation will be deducted from the total income of that year and so on.

EXAMPLE:—For the assessment year 1993-94 an assessee had the following income:

I. Income from business:

(a) From confectionery business	Rs. 5,000
Less: Depreciation allowance	Rs. 15,000
Unabsorbed depreciation	Rs. 10,000

(b) Income from cloth business	Rs. 2,000
Less: Unabsorbed depreciation of confectionery business	Rs. 10,000
Unabsorbed depreciation	Rs. 8,000

II. Income from House property	Rs. 4,000
--------------------------------	-----------

III. Income from other sources	Rs. 1,000
--------------------------------	-----------

Less: Unabsorbed depreciation set off	Rs. 5,000
	Rs. 8,000

Unabsorbed depreciation to be carried forward	Rs. 3,000
---	-----------

Total income for the assessment year 1993-94 will be nil. Balance of unabsorbed depreciation of Rs. 3,000 will be carried forward to the assessment year 1994-95.

ASSESSMENT YEAR 1994-95:

(a) Income from confectionery business excluding depreciation	Rs. 6,000
(b) Income from cloth business	Rs. 3,000

Less: Depreciation due for the assessment year 1994-95	Rs. 8,000
--	-----------

Add: Unabsorbed depreciation of the assessment year 1993-94	Rs. 3,000
	Rs. 11,000

Unabsorbed depreciation	Rs. 2,000
-------------------------	-----------

Income from property	Rs. 4,000
----------------------	-----------

Income from other sources	Rs. 39,000
---------------------------	------------

Less: Unabsorbed depreciation	Rs. 43,000
	Rs. 2,000

Gross total income	Rs. 41,000
--------------------	------------

In cases where the profits are insufficient to absorb (1) carried forward losses, (2) current depreciation and (3) unabsorbed depreciation of earlier years, the same should be deducted in the order given on page 160.

(xvii) *Deferment of unabsorbed carried forward depreciation and investment allowance only for assessment year 1992-93, in the case of domestic companies:* Under section 34A, in the case of domestic companies which have unabsorbed depreciation and/or unabsorbed investment allowance relating to assessment year 1991-92 or earlier years which are to be set off in assessment year 1992-93, only 2/3rd of either or both will be set off in assessment year 1992-93. However, where either of the allowance or both do not exceed Rs. 1,00,000, full set off will be allowed without this deferment. In both the cases, the balance 1/3rd will be carried forward to the succeeding years and set off. As far as depreciation is concerned, the said 1/3rd of it not set off will be carried forward till it is fully absorbed and set off treating it as the current depreciation in the year of set off. The unabsorbed 1/3rd investment allowance will be carried forward and set off in the succeeding assessment years till it is fully absorbed. The time limit of 8 years prescribed u/s. 32A(3) will not apply in such cases. It can be carried forward even beyond 8 years and set off till it is fully absorbed. Unlike the depreciation allowance which can be set off against any other income, the 1/3rd investment allowance can be set off only against business income of the domestic company. Penal interest u/s. 234B and 234C, if payable on account of shortfall in payment of advance tax only on account of this provision, such interest will not be levied, provided such shortfall is paid before the filing of the return of income u/s. 139(1) for assessment year 1992-93.

(4) Investment allowance:

(Section 32A)

The Investment allowance is allowable in respect of a new ship/aircraft acquired or new machinery or plant installed before 1-4-1990. For further details in respect of Investment allowance relief, refer pp. 101-102 of I.T.R.R. 1991-92 (53rd Year of Publication).

(5) Investment deposit account:

[Section 32AB w.e.f. 1-4-1987 (assessment years 1987-88 to 1990-91)]

The deduction in respect of Investment deposit account is not allowable from assessment year 1991-92 and onwards [Refer 2nd proviso to section 32AB(1)]. For further details regarding this relief for assessment years 1987-88 to 1990-91, refer pp. 102-103 of I.T.R.R. 1991-92 (53rd Year of Publication).

(6) Development allowance account:

(Section 33A)

This relief is allowable only upto assessment year 1990-91. For details, refer page 103 of I.T.R.R. 1991-92 (53rd Year of Publication). Relief to tea industry is now allowable u/s. 33AB. Refer item (7) hereafter.

(7) Tea development account^{7b}:

[Section 33AB w.e.f. 1-4-1991 (assessment year 1991-92 and onwards)]

The provisions of this section are applicable to an assessee carrying on business of growing and manufacturing tea in India and the assessee has, before the expiry of 6 months from the end of the previous year or before furnishing the return of income, whichever is earlier, deposited any amount with National Bank for Agriculture and Rural Development in a special account maintained by the assessee with that bank in accordance with and for the purposes specified in, a scheme approved in this behalf by the Tea Board.

On making the deposit within the stipulated time, the assessee will be entitled to a deduction (such deduction being allowed before set off of any unabsorbed losses of previous years) equal to the amount of deposit which will, however, be restricted to 20% of the profits of such business (computed under the head "Profits and gains of business or profession" before making any deduction under this section). Where the deduction is allowed to a firm or any association of persons or any body of individuals, it will not again be allowed in the hands of any of its partner/member. Further, where any deduction in respect of any amount deposited in the special account has been allowed under section 33AB(1) in any previous year, no deduction shall be allowed in respect of such amount in any other previous year.

The deduction under this section shall not be admissible unless the accounts of the business of the assessee for the previous year for which the deduction is claimed have been audited by an accountant as defined in the Explanation to section 288(2) and the assessee furnishes, along with his return of income, the report of such audit in the prescribed form No. 3 AC duly signed and verified by such accountant.

The deduction under this section will not be allowed in respect of any amount utilised for the purchase of: (a) any machinery or plant to be installed in any office premises or residential accommodation, including accommodation in the nature of a guest-house; (b) any office appliances (not being computers); (c) any machinery or plant, the whole of the actual cost of which is allowed as a deduction (whether by way of depreciation or otherwise); and (d) any new machinery or plant to be installed in an industrial undertaking for the purposes of business of construction, manufacture or production of any article or thing specified in the list in the Eleventh Schedule.

Any amount standing to the credit of the assessee in the special account shall not be allowed to be withdrawn except for the purposes specified in the scheme and in the case of: (a) closure of business; (b) death of an assessee; (c) partition of a Hindu undivided family; (d) dissolution of a firm; and (e) liquidation of a company.

Where any amount withdrawn from the special account is utilised by the assessee for the purposes of any business expenditure in accordance with the scheme, then such expenditure will not be allowed as deduction in computing the income chargeable under the head "Profit and gains of business or profession".

Where any amount standing to the credit of the assessee in the special account is released during any previous year for being utilised by the assessee for purposes of business in accordance with scheme and such amount is not so utilised, either wholly or partly, such amount as is not so utilised shall be deemed to be the profits and gains of business of that previous year and included as the income of that previous year. However, the above provisions will not apply where the amount is released at the closure of account due to death of an assessee, partition of a H.U.F. and liquidation of a company. But, where the amount is withdrawn consequent to the closure of business or dissolution of a firm, the amount so withdrawn shall be deemed to be the profits and gains of business or profession and charged to tax in the year of withdrawal and shall be assessed in the hands of the same business/firm as if the said business was not closed or the said firm was not dissolved.

Where any asset acquired in accordance with the scheme is sold or otherwise transferred in any previous year within 8 years from the end of the previous year in which it was acquired, such part of the cost of such asset as is relatable to the deduction allowed under this section shall be deemed to be the profits and gains of business or profession of the

^{7b}. From assessment year 1995-96 and onwards, for availing deduction u/s. 33AB, additional scheme for deposit is laid down by the Finance Act, 1994. For further details, refer Para 7.1 on page 35.

previous year in which the asset is sold or otherwise transferred and accordingly shall be liable to income-tax as income of that previous year. However, there will be no tax liability in respect of deductions earlier allowed if the sale or transfer of such asset is to the Government, a local authority, a statutory corporation or a Government company or if the sale or transfer is made in connection with succession of the firm by a company in the business or profession carried on by the firm subject to conditions prescribed in the Explanation to section 33AB(8) and the scheme continues to apply to the company as in the case of the firm.

(8) Reserves for shipping business:

[Section 33AC w.e.f. 1-4-1990 (assessment year 1990-91)]

In order to promote shipping industry, a deduction not exceeding the total income (computed before making any deduction under this section and Chapter VIA) will be allowed to—

(1) a Indian public company,

(2) a Government company (from assessment year 1993-94 and onwards),
engaged in the business of operation of ships subject to the following conditions:

(a) amount to be allowed as deduction is transferred to a reserve account, by debiting the profit and loss account of the previous year in respect of which the deduction is to be allowed.

(b) the aggregate of the amounts carried to such reserve account should not exceed twice the amount of the paid-up share capital (excluding the amounts capitalised from reserves). If it exceeds, the relief under this section will not be allowed in respect of such excess.

The amount credited to reserve account is required to be utilised for acquiring a new ship within a period of 8 years next following the previous year in which the amount was credited. Until the acquisition of a new ship, the reserve is required to be utilised for the purposes of the business other than distribution of dividends or profits or for remittance outside India as profits or for the creation of any asset outside India.

Where the amount credited to the reserve account:

(a) is not utilised for acquiring a new ship within the said period of 8 years, the amount not so utilised will be deemed to be the profits in the year immediately following the period of the said 8 years;

(b) is utilised for any purposes other than specified purposes, the amount so utilised will be deemed to be the profits in the year in which the amount was so utilised; and

(c) is utilised for purposes of acquiring a new ship and such ship is sold or transferred within 8 years from the end of the previous year in which it was acquired, the amount so utilised in acquiring the ship will be deemed to be the profits in the year in which the said ship was sold or transferred.

For the purposes of this section "public company" means the one that is defined in section 3 of the Companies Act, 1956; "Government Company" means the one that is defined in section 617 of the Companies Act, 1956; and "new ship" means the one that is defined in section 32AB(2)(ii) of the Income-tax Act.

(9) Expenditure on scientific research:

(Section 35)

The term "scientific research" as defined in section 43(4)(i) means "any activities for the extension of knowledge in the fields of natural or applied science including agriculture, animal husbandry or fisheries". Animal husbandry includes dairy or poultry farm.

The deduction is to be allowed for the following items of expenditure:—

(a) Any expenditure (not being in the nature of capital expenditure) incurred on scientific research related to the assessee's business [Section 35(1)(i)].

An Explanation below section 35(1)(i) provides that revenue expenditure incurred on payment of any salary [as defined in Explanation 2 of section 40A(5)] to personnel engaged in scientific research and on purchase of materials used in such scientific research during the period of three years immediately preceding the commencement of the business will be deemed to have been laid out or expended in the previous year in which the business is commenced. The deduction will be available only in respect of such expenditure incurred on scientific research related to the assessee's business and will be limited to the amount certified by the prescribed authority.

(b) Any expenditure of a capital nature incurred on scientific research related to the assessee's business, the whole of such expenditure incurred in any previous year shall be deducted for that previous year [Section 35(1)(iv)].

However, deduction will not be admissible in respect of any expenditure incurred on the acquisition of any land, whether the land is acquired as such or as part of any property, after 29-2-1984 [Proviso to section 35(2)(ia)].

(c) Any sum paid to a scientific research association, university, college or other institution to be used for scientific research provided such association, university, college or institution is approved by the prescribed authority. Under Rule 6 of the Income-tax Rules, 1962 such authority shall be Director General (Income-tax

Exemptions) in concurrence with the Secretary, Department of Scientific and Industrial Research, Government of India [Section 35(1)(ii)].

(d) (1) From assessment year 1992-93 and onwards, any sum paid to an approved university, college or other institution for research in social science or statistical research whether related to the class of business carried on or not [Section 35(1)(iii)].

(2) upto assessment year 1991-92, any sum paid to an approved university, college or other institution for research in social science or statistical research related to the class of business carried on, e.g. any scientific research which may lead to or facilitate an extension of that business or scientific research of a medical nature which has a special relation to the welfare of workers employed in that business. [Section 35(1)(iii)].

(e) From assessment year 1994-95 and onwards^{7c}, any sum paid to a National Laboratory for carrying out programme of scientific research, approved by the prescribed authority is eligible for a weighted deduction of one and one-fourth times thereof (i.e. @ 125%). Such contributions will not be eligible for any other deduction/relief under the Income-tax Act. The authority approving the National Laboratory will also approve the programme. Such authority will have power to call for such documents or information from the National Laboratory in order to satisfy itself about the genuineness of the activities relating to scientific research of such Laboratory. "National Laboratory" means National Laboratory as defined in the Explanation to section 35(2AA) [Section 35(2AA)^{7c}].

Where deduction is allowed in respect of any capital expenditure represented wholly or partly by an asset, depreciation or terminal allowance is not allowable for the same previous year in respect of that asset or for any other year.

It may be noted that—

(1) The scientific research association, university, college or other institution referred to in section 35(1)(ii) & (iii) will be approved by the prescribed authority by notification in the Official Gazette;

(2) The association, institution, etc. referred to it in section 35(1)(ii) & (iii) will have to apply for the approval, or continuation thereof, in the prescribed Form No. 3GF to the prescribed authority. The application for obtaining approval u/s. 35(2AA) is to be made by a sponsor in the prescribed Form No. 3CG to the prescribed authority; and

(3) For the purpose of granting approval, the prescribed authority will have power to call for documents or information to ascertain the genuineness of the activities of the association, institution, etc.

(10) Expenditure on acquisition of patent rights or copyrights:

(Section 35A)

Under section 35A, any expenditure of a capital nature incurred on the acquisition of patent rights or copyrights used for the purposes of the business shall be allowed in equal instalments spread over a period of 14 years beginning with the previous year in which such expenditure is incurred. Where such expenditure was incurred before the commencement of the business, the period of 14 years would reckon from the previous year in which the business commenced.

(11) Expenditure on know-how:

(Section 35AB)

Any lump sum consideration paid for acquiring any know-how for use for the purposes of assessee's business, one-sixth of the amount so paid shall be deducted from the profits of the business in the previous year of payment and in the five immediately succeeding previous years.

Where such payment is for know-how developed in a laboratory, University or institution referred to in section 32A(2B), one-third of the amount shall be deducted in the previous year of payment and in the two immediately succeeding previous years.

For the purposes of this section, "know-how" means any industrial information or technique likely to assist in the manufacture or processing of goods or in the working of a mine, oil well or other sources of mineral deposits.

(12) Expenditure for promoting social/economic welfare or uplift of the public:

[Section 35AC w.e.f. 1-4-1992]

For and from assessment year 1992-93, section 35AC provides that an assessee carrying on business or profession is entitled to deduct payment made for financing any eligible project or scheme for promoting social and economic welfare of, or uplift of, the public. An assessee being a company may also incur expenditure directly on any such eligible project or scheme. The qualifying expenditure, when paid as donation, would consist of payment made to a public sector company or a local authority or an approved association or an institution for being used in any such eligible project or scheme. Eligible project or scheme will be notified by the Central Government authority i.e. National Committee for approving such association/institution will be prescribed through rules [Refer rules 11F to 11N].

The claim for deduction should be supported by a certificate in the prescribed form No. 58A to be obtained from the payee and the said certificate is required to be furnished along with his return of income. An assessee being a

7c. For notes on amendments made in section 35(2AA), by the Finance Act, 1994, refer Para 7.2 on page 35.

company incurring expenditure directly, the claim for deduction should be supported by a certificate in the prescribed form No. 58B to be obtained from a chartered accountant and such certificate is required to be furnished along with the return of income.

Where a deduction under this section is claimed and allowed for any assessment year in respect of any payment/expenditure as stated above, deduction shall not be allowed in respect of such payment/expenditure under any other provision of the Income-tax Act for the same or any other assessment year.

(13) Expenditure by way of payment to associations and institutions for carrying out rural development programmes:

(Section 35CCA)

(a) This section provides for the deduction of expenditure incurred, by assessee carrying on business or profession, by way of payment of any sum to an association or institution, to be used for the purposes of carrying out programme of rural development. The deduction is to be allowed subject to the condition that the association or the institution, as also the programme for rural development for which such sums are paid, have been approved by the prescribed authority. Such approval is, however, to be given for a period of not more than three years at a time. If deduction is claimed and allowed under this section, such expenditure will not again be taken into account for the purposes of deductions under sections 35C, 35CC, 80G or any other provision of the Act for the same or any other assessment year.

(b) Deduction is allowable in respect of donations made by an assessee carrying on business or profession:

(1) to any approved association or institution, which has as its object the training of persons for implementing programmes of rural development; or

(2) to National Fund for Rural Development set up and notified by the Central Government in this behalf [Vide Notification No. G.S.R. 84(E), dt. February 28, 1984].

The deduction for contribution to approved rural development programmes [mentioned in (a)] and for training of persons for implementing rural development programmes [mentioned in (b)(1)] will not be available unless:

(i) the approval of the prescribed authority had been obtained before 1-3-1983;

(ii) the work in relation to the programme or training of persons has commenced before 1-3-1983; and

(iii) the assessee furnishes a certificate from the association or institution to the above effect [The association or institution before issuing the certificate must obtain authorisation to issue the certificate from the prescribed authority].

It may be noted that in cases where the contribution/donation is made after 28-2-1983, the deduction under this section will be allowed where such programme involves work by way of construction of any building or other structure or the laying of any road or the construction or boring of a well or tube well or the installation of any plant or machinery, and such work has commenced before 1-3-1983.

(14) Expenditure by way of payment to associations or institutions for carrying out programmes of conservation of natural resources:

(Section 35CCB)

Where an assessee incurs any expenditure by way of payment of any sum—

(1) to an approved association or institution, which has as its object the undertaking of approved programmes of conservation of natural resources or of afforestation, to be used for carrying out such programmes, or

(2) to such fund for afforestation as may be notified by the Central Government,

the assessee will be allowed a deduction of the amount of such expenditure incurred during the previous year.

Once the deduction is allowed under this section, such expenditure will not qualify for deduction under any other provision of the Act for the same or any other assessment year.

(15) Amortisation of preliminary expenses:

(Section 35D)

Section 35D provides for the amortisation of certain preliminary expenses incurred by an Indian company or a resident assessee other than a company before the commencement of business or in connection with the extension of an industrial undertaking or the setting up of a new industrial unit.

The maximum amount of expenditure eligible for amortisation is restricted to 2½% of the "cost of the project" as defined in clause (a) of the Explanation to sub-section (3) of Section 35D. Where the assessee is an Indian company, at the option of the company, such expenditure is restricted to 2½ per cent. of the capital employed as defined in clause (b) of the said Explanation. One-tenth of such expenditure will be allowed as a deduction in each of the ten successive years beginning with the year of commencement of business or in the case of an existing industrial undertaking the year in which extension of such undertaking is completed or the year in which the new industrial unit set up by such undertaking commences production or operation.

In the case of an assessee other than a company or a co-operative society, the concession is subject to the condition that the accounts of the relevant year/years in which the preliminary expenditure was incurred are audited by a Chartered Accountant and a report of such audit is furnished in Form No. 3B along with the return of income for the first year in which the amortisation is claimed.

(16) Insurance against risk of damage or destruction of stocks, stores, cattle & on health of employees:

[Section 36(1)(i), (ia) & (ib)]

The amount of insurance premium paid to cover such risk is an admissible deduction provided the stores or stocks are used for the purpose of business or profession.

The amount of premium paid by a federal milk co-operative society to effect or to keep in force an insurance on the life of the cattle owned by a member of a primary milk co-operative society affiliated to it will be allowed as a deduction in the computation of profits of the federal milk co-operative society.

The amount of any premium paid by an employer by cheque for insurance on health of his employees in accordance with a scheme framed by the General Insurance Corporation of India and approved by the Central Government is allowable as deduction.

(17) Bonus or commission paid to employee:

[Section 36(1)(ii)]

Any sum paid to an employee as bonus or commission for services rendered is an allowable deduction.

However, under section 43B, bonus or commission to employee will be allowed as deduction only in the year in which it is actually paid. For further details, refer item (i) on page 110.

(18) Interest on borrowed capital:

[Section 36(1)(iii)]

Interest paid on capital borrowed for the purposes of business or profession is an allowable deduction. However, upto assessment year 1992-93, interest paid by a firm to any of its partners is not a permissible deduction under the then section 40(b). For further details, in respect of interest paid to partners, refer item (ii) (3) on page 111. But, from assessment year 1993-94 and onwards, any payment of interest to partners which is authorised by the partnership deed is allowable as deduction under substituted section 40(b). For further details, refer sub-items 6 to 9 of item (xii) on pp. 163-164.

(19) Contributions towards recognised provident fund or an approved superannuation fund:

[Section 36(1)(iv)]

Such contributions will be allowed as deduction under section 36(1)(iv) subject to the prescribed limits (as per Part A & B of the Fourth Schedule to the Income-tax Act). This deduction is subject to the provisions of section 43B. For details, refer item (i) on page 110.

(20) Contributions towards an approved gratuity fund:

[Section 36(1)(v)]

Under section 36(1)(v), any sum paid by the assessee as an employer by way of contribution towards an approved gratuity fund created by him for the exclusive benefit of his employees under an irrevocable trust is allowable as deduction. This deduction is subject to the provisions of section 43B. For details, refer item (i) on page 110.

(21) Contributions received from employees to any fund for welfare of the employees:

[Section 36(1)(va)]

Any sum received by the assessee by way of contributions from his employees to provident fund or superannuation fund or any fund set up under the Employees' State Insurance Act or any fund for the welfare of such employees will be treated as income under section 2(24)(x) and included in the income of the assessee.

However, deduction will be allowed in respect of any such sum received as stated above only if such sum is credited by the assessee to the employee's account in relevant fund on or before the due date, i.e., the date by which the assessee is required as an employer to credit such contribution to the employee's account under the provisions of any law or term of contract of service or otherwise.

(22) Deduction in respect of animals used for business which have died or become permanently useless:

[Section 36(1)(vi)]

In respect of animals used for the purposes of business or profession (but not as stock-in-trade) who have died or become permanently useless, the difference between the actual cost to the assessee of the animals and the amount, if any, realised in respect of carcasses or animals, will be allowed as a deduction.

(23) Bad debt:**[Section 36(1)(vii) & 36(2)]**

From assessment year 1989-90 and onwards, deduction is to be allowed in respect of any bad debt or part thereof which is written off as irrecoverable in the accounts of the assessee for the previous year subject to the following conditions laid down in section 36(2):

- (a) The debt must have been taken into account in the computation of the income of the previous year or of an earlier previous year and the amount of such debt or part thereof is written off during previous year;
- (b) in the case of banking or money lending business carried on by the assessee, the debt represents money lent in the ordinary course of such business.

Under section 36(2)(ii), if the amount ultimately recovered on any debt is less than difference between the debt and the deduction allowed in respect thereof, the deficiency shall be deductible in the previous year in which the ultimate recovery is made.

(24) Entertainment expenditure:**[Section 37(2) & 37(2A)]***(i) From assessment year 1993-94 and onwards:*

Under newly inserted section 37(2), the entertainment expenditure qualifying for deduction is as under:

- (a) where the such expenditure does not exceed Rs. 10,000, the whole of such expenditure;
- (b) where the such expenditure exceed Rs. 10,000, Rs. 10,000 plus 50% of the balance expenditure.

"Entertainment expenditure" will include expenditure on hospitality of every kind including supply of food or beverages to any person. However, supply of food and/or beverages by the assessee to his employees at the place of work will not be treated as entertainment expenditure^a [Explanation to section 37(2)].

(ii) Upto assessment year 1992-93:

Under section 37(2A), the entertainment expenditure qualifying for deduction, is as under:

- (a) On the first Rs. 10,00,000 of the profits and gains of the business or profession @ the rate of $\frac{1}{2}\%$ or Rs. 5,000 whichever is higher;
- (b) On the next Rs. 40,00,000 of the profits and gains of the business or profession @ the rate of $\frac{1}{4}\%$;
- (c) On the balance of the profits and gains of the business or profession @ the rate of $\frac{1}{8}\%$

so, however, that the allowance shall in no case exceed Rs. 50,000.

"Entertainment expenditure" will include expenditure on hospitality of every kind including supply of food or beverages to any person. However, supply of food and/or beverages by the assessee to his employees at the place of work will not be treated as entertainment expenditure [Explanation 2 to section 37(2A)].

The percentage limits mentioned in section 37(2A) are to be calculated before allowing the deduction in respect of development rebate, development allowance, investment allowance and entertainment expenditure [Vide Circular No. 247 dated 21-10-1978. Refer 116 ITR (St.) 27].

(25) Advertisement expenditure:**[Sections 37(2B) & 37(3)]**

The deduction in respect of expenditure on advertisement is allowable to the extent and subject to the provisions contained in Rule 6B of the Income-tax Rules, 1962 [Section 37(3)].

Under Rule 6B(1)(a), w.e.f. 1-4-1992 (assessment year 1993-94 and onwards^a), the allowance in respect of expenditure on advertisement in respect of articles intended for presentation, shall not in the following cases exceed—

- (a) where the amount of expenditure does not exceed Rs. 1,000 on each such article, the whole of such expenditure;
- (b) in any other case, Rs. 1,000 on each such article as increased by a sum equal to 50% of the expenditure in excess of Rs. 1,000 on such article.

Expenditure incurred by an assessee on advertisement in any souvenir, brochure, tract, pamphlet or the like published by a political party will not be allowed as a business expenditure in computing the total income of the assessee [Section 37(2B)].

8. From assessment year 1993-94 and onwards, expenditure on provision of food or beverages by an employer to employees whose salary does not exceed Rs. 24,000 [refer item (c) on page 70] will not be treated as entertainment expenditure within the meaning of the Explanation under section 37(2) if such food or beverages are provided during working hours even in places other than the place of work, provided the expenditure is genuine and reasonable [Vide Circular No. 644, dt. 15-3-93. 200 ITR (St.) 226].

9. Under old Rule 6B(1)(a), w.e.f. 12-4-1990 to 31-3-1992 (i.e. upto assessment year 1992-93), the allowance in respect of expenditure on advertisement in respect of articles intended for presentation shall not exceed Rs. 200 on each such article.

(26) Expenditure in respect of travelling, etc.:

[Section 37(3)]

The allowance in respect of expenditure incurred by an assessee in connection with travelling by an employee or any other person within India outside the headquarters of such employee or other person for the purpose of the business or profession of the assessee shall be allowed subject to the conditions and limits prescribed under Rule 6D given hereunder:

(a) under Rule 6D(2)(a), in respect of travel by rail, road, waterway or air, the expenditure actually incurred;

(b) under Rule 6D(2)(b)¹⁰, in respect of any other expenditure (including hotel expenses or allowances paid) in connection with such travel, an amount calculated at the following rates for the period spent outside the headquarters¹⁰:

(1) where the amount of such expenditure does not exceed Rs. 1,500 per day¹⁰, the whole of such amount;

(2) in any other case, Rs. 1,500¹⁰ as increased by a sum equal to 75% of such expenditure in excess of Rs. 1,500 per day.

(27) Expenditure incurred on the maintenance of guest-house:

[Sections 37(4) & 37(5)]

Any expenditure incurred on the maintenance of a guest-house including the rent paid where such premises have been hired will not be allowed as a deduction from business profits. Depreciation on the building used as guest-house where it is owned by the assessee and on other assets used in the guest-house will also not be allowed.

If any amounts are received from the persons using the guest-house, only the excess of maintenance charges and depreciation over such receipts will be disallowed in computing the business income.

The provisions of this sub-section shall not apply in cases where the guest-house is maintained as a holiday home and is intended for the exclusive use of the employees while on leave and the assessee has under his employment at least one hundred whole-time employees throughout the previous year.

It has been clarified that any accommodation, by whatever name called, maintained, hired, reserved or otherwise arranged by the assessee for the purpose of providing lodging or boarding and lodging to any person (including any employee or, a director or officer of a company) on tour or visit to the place at which such accommodation is situated, is to be regarded as accommodation in the nature of a guest-house within the meaning of section 37(4).

(28) Expenses deductible from commission earned by agents of life insurance, etc:

(As per executive instruction)

(A) In respect of life insurance agents:
(Assessment year 1993-94 and onwards¹¹)

[Vide Circular No. 648, dt. 30-3-1993, 201 ITR (St.) 4]

In supersession of the Circular and Instruction [i.e., F. No. 14/9/65-IT (A-I) dt. 22-9-65 & Instruction No. 1546 dt. 6-1-84] the Board have decided that the benefit of *ad hoc* deduction to insurance agents of the Life Insurance Corporation having total commission (including first year commission, renewal commission and bonus commission) of less than Rs. 60,000 for the year, and not maintaining detailed accounts for the expenses incurred by them, may be allowed as follows:

(i) where separate figures of first year and renewal commission are available, 50% of first year commission and 15% of the renewal commission;

(ii) where separate figures as above are not available, 33 $\frac{1}{3}$ % of the gross commission.

In both the above cases, the *ad hoc* deduction will be subject to a ceiling limit of Rs. 20,000.

10. Under old Rule 6D(2)(b), upto assessment year 1992-93, the allowance in respect of any other expenditure (including hotel expenses or allowances paid) in connection with such travel, an amount calculated at the following rates for the period spent outside headquarters:

	If the stay of employee is at Bombay, Calcutta or Delhi	If the stay is at any other place
(1) In respect of an employee whose salary is Rs. 1,000 per month or more	Rs. 200 per day or part thereof	Rs. 150 per day or part thereof
(2) In respect of any other employee	Rs. 100 per day or part thereof	Rs. 75 per day or part thereof
(3) In respect of any other person, an amount calculated at the rates applicable in the case of the highest paid employee of the assessee.		

11. For instructions applicable upto assessment year 1992-93, refer pp. 95-96 of Income-tax Ready Reckoner 1993-94 (55th Year of Publication).

The "gross commission" in (ii) above will include first year as well as renewal commission but will exclude bonus commission.

The complete amount of bonus commission is taxable and will be taken into account for purposes of computing the total income, and no *ad hoc* deduction will be allowed from this amount.

The benefit of *ad hoc* deduction will not be available to agents who have earned total commission of more than Rs. 60,000 during the year. The admissibility of the expenditure claimed by such agents will be decided by the Assessing Officers as per the provisions of the Income-tax Act.

This will apply to the assessment year 1993-94 and subsequent years.

(B) In respect of agents appointed under the Standardised Agency System for Government securities and the agents of Post Office Time Deposits and Unit Trust of India:
[Vide Circular No. 594, dt. 27-2-1991/15-5-1991, 188 ITR (St.) 105]

Where no detailed accounts are maintained by such agents and the gross commission received by them is less than Rs. 60,000, the benefit of an *ad hoc* deduction for expenses, at the rate of 50% of the gross receipts of commission, will be allowed to the authorised agents of the Unit Trust of India and the agents of the following securities:-

- (1) National Savings Certificates VIII Issue;
- (2) Social Security Certificates;
- (3) Post Office Time Deposit Accounts;
- (4) Post Office Recurring Deposit Accounts;
- (5) National Savings Scheme, 1987;
- (6) Post Office Monthly Income Account Scheme;
- (7) Kisan Vikas Patra;
- (8) Public Provident Fund Accounts; and
- (9) Deposit Scheme for Retiring Government Employees, 1989.

(C) In respect of agents of mutual funds notified u/s. 10(23D):
[Vide Circular No. 677, dt. 28-1-1994, 205 ITR (St.) 331]

The benefit of *ad hoc* deduction for expenses @ 50% of the gross receipts of commission will be allowed to the agents of those mutual funds which are notified for the purposes of section 10(23D). The benefit of *ad hoc* deduction will only be available to agents not maintaining detailed accounts for the expenses incurred by them and having gross commission of less than Rs. 60,000 for the year, including gross commission as authorised agents of the Unit Trust of India and agents of securities specified in Circular No. 594, dt. 27-2-1991/15-5-1991 [Refer (B) above], as well as total commission from the Life Insurance Corporation as specified in Circular No. 648, dt. 30-3-1993 [Refer (A) on page 108].

The benefit of *ad hoc* deduction will not be available to agents who have earned gross commission as computed above of more than Rs. 60,000 from all the abovementioned sources put together during the year.

(29) General:

(Section 37)

Any other expenditure not specifically covered by sections 30 to 36 of the Income-tax Act and which is not in the nature of capital expenditure or personal expenses of the assessee is to be allowed as a deduction, if it is laid out or expended wholly and exclusively for the purposes of business or profession. A few instances of such expenses are:

- (i) Audit fees.
- (ii) Commission paid for securing business.
- (iii) Subscriptions to a business chamber of commerce or other business associations.
- (iv) Pension paid to employees on retirement.
- (v) Losses on account of embezzlement or theft which are incidental to the business.
- (vi) Premiums for insurance against loss of profits.
- (vii) Expenses incurred in defending title to business premises.
- (viii) Expenditure in connection with travelling by employees, etc.
- (ix) Expenditure incurred by employer on training of apprentices covered under the Apprentices Act, 1961 [Circular No. 192, dt. 10-3-1976. 109 ITR (St.) 116].
- (x) Professional tax paid by a person carrying on a business or profession [Circular No. 16, Dt. 18-9-1969. 1970 Indian Tax Laws page No. LXXXIII].
- (xi) Compensation paid by an employer to his employee for terminating the latter's services.
- (xii) Sales-tax and expenses incurred in original proceedings for assessment to sales-tax as also in appeals arising from such proceedings.

- (xiii) Deposit made under the "Own Your Telephone Scheme": The Central Board of Direct Taxes have issued instruction to the effect that deduction will be allowed in the year of payment and in case the telephone is not installed and money is paid back, it will be charged to tax under section 41(1) of the Income-tax Act, 1961 [Vide Board's letter No. F. No. 204/70/75-IT(AII), Dt. 10th May, 1976].
- (xiv) Deposit made under the "Tatkal Telephone Deposit Scheme": The Central Board of Direct Taxes have clarified that the amount paid towards deposit may be treated as a revenue expenditure and allowable as a deduction in the year of payment if the assessee makes such a claim. However, as and when any part of the amount is refunded to the assessee on surrender of the telephone or otherwise, the refunded amount shall be treated as income of the year in which the amount is so refunded and brought to tax u/s. 41(1) of the Income-tax Act [Circular No. 671, Dt. 27-10-1993, 204 ITR (St.) 156].
- (xv) Security Deposit for Telex connection: The Central Board of Direct Taxes have clarified that the amount paid towards security deposit may be treated as a revenue expenditure and allowable as a deduction when Telex is installed. However, when Telex connection is finally closed, the deposit so refunded shall be treated as income of the year in which it is refunded [Circular No. 420, Dt. 4-6-85, 155 ITR (St.) 43].
- (xvi) Expenditure incurred in connection with local festivals such as Diwali and Mahurat: The expenses in respect of such expenditure will be allowed in the income-tax assessment subject to the Income-tax Officer being satisfied that the expenses are admissible as a deduction under the law and are not expenses of a personal, social or religious nature [Circular letter No. 13A/20/68-IT(AII), dated 3-10-68].
- (xvii) Expenditure incurred on civil defence measures (as specified) even when there is no emergency [Circular No. 316, Dt. 30-9-81, 132 ITR (St.) 11].

NOTE: Upto assessment year 1992-93, any expenditure incurred by an assessee on any tax proceeding under the Income-tax Act before any income-tax authority or the Appellate Tribunal or any court will not be allowed as a deduction in computing the income chargeable under the head "Profits and gains of business or profession". Instead, such expenditure will be disallowed if it exceeds Rs. 10,000 [Refer section 40A(12)]. For further details, refer item (iii) on page 112.

AMOUNTS NOT DEDUCTIBLE FROM BUSINESS INCOME

[Sections 40, 40A & 43B]

(i) Disallowance of unpaid statutory liability:

[Section 43B]

In the following cases, deduction otherwise allowable under the Income-tax Act will not be allowed unless the amounts are actually paid by the due dates specified against each item of expenditure/liability. If these liabilities are disallowed under section 43B in the year of provision, it will be allowed in succeeding year or years when actually paid.

<i>Expenditure/Liability</i>	<i>"Due date" for payment to claim deduction in the same previous year in which liability arose</i>
(a) Tax, duty, cess or fees, under any law (e.g. Sales-tax, Excise duty, etc.)	before due date for filing return of income u/s. 139(1) of the relevant previous year.
(b) Employer's contribution to provident fund or superannuation fund or gratuity fund or any other fund for the welfare of the employees	on or before the "due date" for crediting employee's account in the relevant fund as laid down in law, regulation or contract of service relating to such fund [Also refer note 2 & 4].
(c) Bonus or commission for services rendered payable to employees referred to in section 36(1)(ii)	before due date for filing return of income u/s. 139(1) of the relevant previous year.
(d) Interest on any loan or borrowing from any public financial institution or a State Financial Corporation or a State Industrial Investment Corporation, in accordance with the terms and conditions of loan/borrowing agreement	before due date for filing return of income u/s. 139(1) of the relevant previous year.

NOTES:

- (1) In respect of accrued liabilities, even if they are actually payable after the end of the previous year, deduction in the previous year will be allowed only if actually paid by the due dates given above. For example, sales-tax liability of the last quarter is payable in succeeding previous year. But to get deduction therefor, it has to be paid before the due date for filing return of income u/s. 139(1). Similarly, due date for crediting employer's contribution to provident fund, etc. falls in the succeeding previous year. To get deduction, the same has to be paid by the due date as indicated above in (b).
- (2) If employer's contribution to provident fund, etc. is paid by cheque on or before the due date, deduction will be allowed only if the cheque is realised within 15 days from the due date.

- (3) Where the above liabilities have already been allowed on accrual basis in any earlier previous year, the same will not again be allowed on payment basis in the year of actual payment.
- (4) Where deduction is not allowed due to non-payment before the due dates, the same will be allowed in the year of actual payment. However, in respect of item (b) above, that is contribution to provident fund, etc., such deduction will not be allowed, if paid after due date. To get deduction, the payment should be made on or before the due date [Vide Para 12.1 of Circular No. 495 dt. 22-9-87. 168 ITR (St.) 87].
- (5) Where payments are made before filing return of income u/s. 139(1) and not within the same previous year, either the evidence of such payment or as per Circular No. 601 dt. 4-6-91 [190 ITR (St.) 4] a certificate from an accountant (as defined in the Explanation to section 288)/institution concerned, as the case may be, should be enclosed with the return of income. Such evidence/certificate if not filed along with the return of income, the deduction will not be allowed and will be added back to income as *prima facie* adjustment under section 143(1)(a) [refer pp. 153-155]. Additional income-tax under section 143(1A) will be levied on such addition. If evidence for such payments had been omitted to be furnished along with the return, the Assessing Officer can entertain application u/s. 154 for rectification of the intimation u/s. 143(1)(a) or order u/s. 143(3), as the case may be, and decide the same on merits [Vide Circular No. 669, dt. 25-10-1993, 204 ITR (St.) 105 read with Circular No. 581, dt. 28-9-90, 186 ITR (St.) 2]. The assesses are advised to ensure that the proof of payment/certificate is filed along with the return of income.
- (6) The Central Board of Direct Taxes have clarified in Circular No. 496 dt. 25-9-1987 [Refer 169 ITR (St.) 53] and Circular No. 674, dt. 29-12-1993 [Refer 205 ITR (St.) 119], that "if the State Governments make an amendment in the Sales Tax Act or issue notification through Government orders to the effect that the sales tax deferred under the scheme (i.e. sales tax deferral scheme) shall be treated as actually paid, such a deeming provision will meet the requirements of section 43B. The Board have decided that where amendments are made in the sales tax laws or notification is issued on these lines, the statutory liability shall be treated to have been discharged for the purposes of section 43B of the Act".

(ii) Expenditure not deductible:

[Sections 40 & 40A]

The following amounts are not admissible deductions for the purpose of computing income from business or profession:

(1) Any interest, royalty, fees for technical services or other sum chargeable under the Income-tax Act, which is payable outside India, on which tax has not been paid or deducted at source will not be allowed as deduction. Even when an agent for non-resident recipient has been appointed u/s. 163, tax has to be paid/deducted. However, if the tax is paid or deducted at source in any subsequent year, such sum shall be allowed as a deduction in the previous year in which such tax is paid or deducted [Section 40(a)(i) read with proviso].

(2) Any payment which is chargeable under the head "Salaries", if it is payable outside India and if the tax has not been paid thereon or deducted at source [Section 40(a) (iii)].

(3) Upto assessment year 1992-93, under old section 40(b)¹², in the case of any firm, any payment of interest, salary, bonus, commission or remuneration made by the firm to any partner of the firm subject to the following conditions:

(i) Interest paid by the firm as reduced by the interest received by the firm from the concerned partner or partners will be disallowed [Explanation 1 to section 40(b)].

(ii) Where an individual is a partner in a representative capacity, for example, as karta of HUF, then, the interest paid to him in his individual capacity will not be disallowed. The net interest as explained in (i) above paid to the person so represented by the partner, i.e., Hindu undivided family, will be disallowed instead [Explanation 2 to section 40(b)].

(iii) Where a partner is paid interest on behalf of, or for the benefit of, any other person, such interest will not be disallowed. For example, if a partner is paid interest as a trustee or a guardian for another person, that interest will not be disallowed [Explanation 3 to section 40(b)].

(4) In the case of an association of persons (AOP) or body of individuals (BOI), any payment of interest, salary, bonus, commission or remuneration made by the AOP/BOI to a member thereof. The disallowance of interest will be made in the same manner as explained in the case of the firm in (3) above in relation to assessment year 1989-90 and subsequent years [Section 40(ba)].

12. From assessment year 1993-94 and onwards, under substituted section 40(b), payment of interest, salary, etc. made by firm to any partner of the firm will be allowed as deduction in the assessment of the firm subject to limits and conditions stated in sub-items 6 to 9 of item (xii) on pp. 163-164.

(5) No deduction will be allowed, in the computation of the profits and gains of a business or profession, in respect of any reserve created or provision made (subject to certain exceptions) for the payment of gratuity to the employees on retirement or on termination of employment for any reason. This restriction will, however, not apply for the purpose of meeting actual liability in respect of payment of gratuity to the employees that has arisen during the previous year [Section 40A(7)].

(6) No deduction will be allowed in respect of any sum paid by the assessee as an employer towards the setting up or formation of, or as contribution to, any fund, trust, company, association of persons, body of individuals, society registered under the Societies Registration Act, 1860 or other institution for any purpose, except—

(1) where such sum is paid or contributed (within the limits laid down under the relevant provisions) to a recognised provident fund or an approved gratuity fund or an approved superannuation fund or for the purposes and to the extent required by or under any other law.

(2) where the Income-tax Officer/Assessing Officer is satisfied that the fund, trust, company, association of persons, society, etc. has before the *1st day of March, 1984*, bona-fide laid down or expended any expenditure (not being in the nature of capital expenditure) wholly & exclusively for the welfare of the employees of the assessee.

In case no deduction has been allowed in respect of such sum, the amount of such expenditure shall be deducted in computing the income of the assessee of the previous year in which such expenditure is so laid out or expended, as if such expenditure had been laid out or expended, by the employer [Section 40A(9) & 40A(10)].

(iii) Disallowance of expenditure incurred on Income-tax proceedings:

[Section 40A(12)]

From assessment year 1993-94 and onwards:

The whole of such expenditure without any ceiling will be allowed u/s. 37(1) as section 40A(12) has been omitted w.e.f. 1-4-1993 (assessment year 1993-94 and onwards).

Upto Assessment year 1992-93:

Section 40A(12) provides that any expenditure incurred in excess of Rs. 10,000 by an assessee by way of fees or other remuneration paid to any person (other than employee of the assessee) for services (not being services by way of preparation of return of income) in connection with any proceeding under the Income-tax Act before any income-tax authority or Settlement Commission or competent authority or Appellate Tribunal or any court shall not be allowed as deduction in computing the taxable profit.

(iv) Disallowance of expenditure incurred in business or profession in respect of which payment in a sum exceeding Rs. 10,000/- is made otherwise than by a crossed cheque drawn on a bank or by a crossed bank draft:

[Section 40A(3)]

Sub-section (3) of section 40A lays down that where the assessee incurs any expenditure in respect of which payment is made in a sum exceeding Rs. 10,000 otherwise than by a crossed cheque drawn on a bank or by a crossed bank draft, such expenditure shall not be allowed as a deduction.

Under the first proviso to section 40A(3), where any liability for any expenditure incurred is allowed as a deduction on accrued basis in the relevant assessment year and subsequently during any previous year, the assessee makes any payment in respect of such liability in a sum exceeding Rs. 10,000 otherwise than by a crossed cheque drawn on a bank or by a crossed bank draft, the deduction originally allowed will be deemed to have been wrongly allowed and assessment year next following the previous year in which the payment was so made.

No disallowance is to be made under section 40A(3):

(i) in cases and circumstances prescribed under Rule 6DD, or

(ii) in cases where the Income-tax Officer is satisfied that the payment could not be made by crossed bank cheque or draft due to "exceptional or unavoidable circumstances" and the assessee furnishes evidence as to the genuineness of the payment and the identity of the payee. Any payment for business expenditure made during the period when the cheque clearing operations are suspended or other similar circumstances as aforesaid exists, will not be covered by the provisions of section 40A(3) of the Income-tax Act [Circular No. 250, dated 11-1-1979. 117 ITR (St.) 48].

(iii) in cases where a letter is produced from the seller giving full particulars of his address, sales-tax number, permanent account number, if any, to the effect that:

- (a) the purchaser is new to the seller; or
- (b) the transactions are made at a place where either the purchaser or the seller does not have a bank account; or
- (c) the transactions and payments are made on a bank holiday; or
- (d) the seller is refusing to accept the payment by way of crossed cheque/draft and the purchaser's business interest would suffer due to non-availability of goods otherwise than from this particular seller; or
- (e) the seller, acting as a commission agent, is required to pay cash in turn to persons from whom he has purchased the goods; or
- (f) specific discount is given by the seller for payment to be made by way of cash.

[Circular No. 220, dated 31-5-1977. 108 ITR (St.) 8].

(v) Disallowance of interest on delayed payments in certain cases:

Interest on delayed payments for goods or services made by a buyer, to an ancillary or small-scale industrial undertaking will be disallowed u/s. 9 of the Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993 from assessment year 1993-94 and onwards¹³ [For text of the said Act, which came into force from 23-9-1992, refer 202 ITR (St.) 51].

Special provision for computation of cost of acquisition of certain assets:

[Section 43C]

Where the amalgamated company sells as stock-in-trade of the business after 29-2-1988, any asset [not being an asset referred to in section 45(2)] which has been acquired by it under a scheme of amalgamation, the cost of acquisition thereof for computing the profits and gains from the sale of such asset shall be the cost of the asset to the amalgamating company, as increased by the cost, if any, of any improvement thereto, and the expenditure on transfer, if any, incurred by the amalgamating company.

Similarly, where an assessee sells as stock-in-trade of the business after 29-2-1988, any asset [not being an asset referred to in section 45(2)] which has been acquired by him on total or partial partition of a Hindu undivided family, or by way of gift, or will or an irrevocable trust, the cost of acquisition thereof for computing the profits and gains from the sale of such asset shall be the cost of the asset to the transferor or donor, as the case may be, as increased by the cost, if any, of any improvement made thereto, and the expenditure on transfer, if any, incurred by the transferor or donor, as the case may be. The expenditure on transfer for this purpose will also include gift-tax, if any, paid by the donor on the gift.

Special provisions for computing profits and gains from the business of trading in liquor, forest produce and timber:

[Sections 44AC & 206C]

For assessment years 1989-90 to 1992-93:

Provisions of section 44AC applies to an assessee (other than a public sector company) who is a buyer of any alcoholic liquor for human consumption (other than Indian-made foreign liquor¹⁴) or timber or any forest produce, in sale by way of auction, tender or any other mode, conducted by the seller [i.e., the Central Government, State Government or local authority or statutory corporation or authorities or any company or firm or w.e.f. 1-4-1991 co-operative society].

A sum equal to the percentage [as per column (2) of the Table given on page 114] of the consideration payable by the buyer in respect of the sale shall be deemed to be the profits and gains of the buyer from the business of trading in such goods chargeable to tax under the head "Profits and gains of business or profession". Further, it has been clarified that the provisions of this section shall not apply to a buyer (other than a buyer who obtains any goods from any seller which is a public sector company) in second or subsequent sale of such goods.

From assessment year 1993-94 and onwards:

The provisions of section 44AC are not applicable as the said section has been omitted w.e.f. 1-4-1993 (assessment year 1993-94 and onwards). In such cases assessment will be done in accordance with the provisions of the Income-tax Act and not on presumptive basis u/s. 44AC. However, in these cases authorities collecting tax at source alongwith purchase price would continue to collect tax at source, since section 206C, as recast continues to be operative.

13. Vide Circular No. 651, dt. 11-6-1993 [202 ITR (St.) 54].

14. Provisions of section 44AC/206C will not apply where the goods in the nature of alcoholic liquor for human consumption (other than Indian-made foreign liquor) are not obtained by way of auction and where the sale price of such goods to be sold by the buyer is fixed by or under any State Act [Proviso to section 44AC(1)(a)/Explanation to section 206C].

COLLECTION OF TAX AT SOURCE:

Assessment years 1989-90 and onwards:

Section 206C provides that w.e.f. 1-6-1988, every person being a seller shall, at the time of debiting the amount payable by the buyer to his account or at the time of receipt of such amount from buyer, collect from him a sum equal to the percentage, specified in the column (3) of the Table given below of such amount as income-tax as increased by a surcharge at the rate in force¹⁵. The amount so collected shall be paid to the credit of the Central Government within 7 days of collection. Person collecting the tax is required to file the half yearly returns in the prescribed form for the period ending on 30th September and 31st March with the prescribed income-tax authority¹⁶. Credit for the tax will be given to the buyer on the basis of a certificate (Form No. 27D) given by the seller. If the seller fails to collect the tax or after collecting the tax fails to pay it to the credit of the Central Government within period specified, then, he shall be liable to pay simple interest at the rate of 2% per month or part thereof on the amount of such tax from the date on which tax was collectable to the date on which the tax was actually paid. In addition, the seller is liable to pay the tax to the credit of the Central Government even though it has failed to collect the tax. Further, section 276BB provides that if a person fails to pay to the credit of the Central Government the tax collected by him under the provisions of section 206C, he shall be punishable with rigorous imprisonment for a term which shall not be less than 3 months but which may extend to 7 years and with fine.

TABLE

Nature of goods	Upto assessment year 1992-93, % of consideration payable by the buyer deemed to be the profits and gains of the buyer from the business of trading in such goods	% of the consideration to be collected from the buyer as I.T.
(1)	(2)	(3)
1. Alcoholic liquor (other than Indian-made foreign liquor) ¹⁷	40% ¹⁷	15% ¹⁸
2. Timber obtained under a forest lease	35%	15% ¹⁸
3. Timber obtained by any mode other than under a forest lease	15%	5% ¹⁸
4. Any other forest produce not being timber	35%	15% ¹⁸

Special Provision for computing profits and gains of business of —
(a) civil construction, etc; and (b) plying, hiring or leasing goods carriages:
[Sections 44AD and 44AE]

For notes on these sections, refer Para 7.4 & 7.5 on page 36.

Special provisions relating to retail trade, etc.:

[Chapter XII-C (Sections 115K to 115N)^{18a}]

Assessment year 1993-94 & onwards:

1. Individuals and Hindu undivided families, who have not hitherto been assessed to income-tax [in relation to assessment year 1992-93 and earlier years], having income from—
(a) retail trade in any goods or merchandise, or

15. Where the goods referred to above are to be utilised by the buyer for the purposes of manufacturing, processing or producing articles or things and not for trading purposes, and buyer makes an application to the Assessing Officer and obtains a certificate (Form No. 27C) and gives the said certificate to seller, then, tax is not to be collected by the seller [Proviso to section 206C(1)].

16. W.e.f. 1-10-1991, penalty, for non-filing of the return in prescribed form, is leviable u/s. 272 A(2)(c). For details, refer page 171.

17. For assessment years 1991-92 & 1992-93, consideration payable as purchase price by buyer of alcoholic liquor (other than Indian-made foreign liquor) will not include bid money in an auction or tender [vide Explanation to section 44 AC(1)(a)]. Purchase price shall also include excise duty paid or payable by the buyer. It shall also include the "Nirgam Mulya" or issue price which is paid by a buyer in the State of Uttar Pradesh [Vide Circular No. 585 dt. 27-11-1990. 186 ITR (St.) 156].

18. The amount of income-tax is to be increased by surcharge—

(a) at the rate of 5% of such I.T. upto 31-3-1989;

(b) (1) in the case of a buyer, being a domestic company, at the rate of 8% of such I.T. from 1-4-1989 to 14-10-1990 and at the rate of 15% of such I.T. from 15-10-1990 and onwards,

(2) in the case of a buyer, other than a company/non-resident, at the rate of 8% of such I.T. from 1-4-1989 to 14-1-1991 and at the rate of 12% of such I.T. from 15-1-1991 to 31-3-1994.

18a. For gist of the amendments made to sections 115K & 115-N by the Finance Act, 1994, refer Para 7.6 on page 37.

(b) the business of running an eating place or of operating, hiring or leasing a goods carriage, a motor cab, a maxicab or a three-wheeled motor vehicle or engaged in vocation (which includes tailoring, hair-cutting, clothes' washing, typing, photo copying, repair work of any kind and other services of a similar nature¹⁹), may opt for paying a fixed sum as income-tax annually as per para 7 [Section 115K(1) & 115K(2)(a)].

2. They need not file a return of income. Nor will they be subjected to assessment procedure under the Income-tax Act [Section 115L].

3. Instead, they should file a statement in prescribed Form No. 4A (for individuals & non-specified HUFs)/4B (for specified HUFs) in duplicate giving therein, name, address, nature of business or vocation and a declaration that—

(a) in respect of business of retail trade, the annual turnover does not exceed Rs. 5,00,000 and income therefrom does not exceed Rs. 35,000 (in relation to assessment year 1993-94)/Rs. 37,000 (in relation to assessment year 1994-95),

(b) in respect of business of running the eating place or of operating, hiring or leasing a goods carriage, a motor cab, a maxicab or a three-wheeled motor vehicle or engaged in vocation, annual income from such business or vocation does not exceed Rs. 35,000 (in relation to assessment year 1993-94)/Rs. 37,000 (in relation to assessment year 1994-95) [Section 115K(4)(a)].

4. The statement referred to in para 3 should be filed on or before 31st March of the financial year along with the challan for payment of tax. However, for assessment year 1993-94, in the case of a person carrying on the business of operating, hiring or leasing a goods carriage, a motor cab, a maxicab or a three-wheeled motor vehicle, such statement should be filed on or before 30-6-1993 along with the challan for payment of tax [Section 115K(4)(b)]. Such persons will not be entitled to deductions under Chapter VIA (except the deduction u/s. 80L) and the tax rebates under Chapter VIII of the Income-tax Act [Section 115M]. The first such statement should have been filed on or before 31-3-1993/30-6-1993, as the case may be, for assessment year 1993-94. The second such statement should be filed on or before 31-3-1994 for assessment year 1994-95. The third such statement should be filed on or before 31-3-1995 for assessment year 1995-96.

5. In the case of persons carrying on business of retail trade, annual turnover from retail trade shall be deemed to be Rs. 5,00,000 and a sum equal to 7% of Rs. 5,00,000 for assessment year 1993-94/Rs. 37,000 for assessment year 1994-95, shall be deemed to be the profits and gains of such persons from the business of retail trade [Section 115K(1)(a) read with Section 115K(5)]. In the case of persons carrying on business of running an eating place or of operating, hiring or leasing a goods carriage, a motor cab, a maxicab or a three-wheeled motor vehicle or engaged in vocation, a sum of Rs. 35,000 for assessment year 1993-94/Rs. 37,000 for assessment year 1994-95, shall be deemed to be the profits and gains of such persons from such business or vocation [Section 115K(1)(b)].

6. Persons covered under this scheme should not have any income in excess of Rs. 5,000 in the aggregate, chargeable to tax from any source falling under any head of income, other than the income from business of retail trade or from the business of running the eating place or from the business of operating, hiring or leasing a goods carriage, a motor cab, a maxicab or a three-wheeled motor vehicle or from the vocation covered under this scheme. That is, such person's income should not exceed Rs. 40,000 (Rs. 35,000 plus Rs. 5,000) for assessment year 1993-94/Rs. 42,000 (Rs. 37,000 plus Rs. 5,000) for assessment year 1994-95 [Section 115K(2)(c)].

7. The tax is payable at the rate specified in Part III of the Finance Act of the relevant year for computing advance tax on the income deemed as per para 5 and other income referred to in para 6 [Section 115K(3)]. For the assessment year 1994-95, in the case of individuals and non-specified HUFs, the said rate is 20% and the tax payable on deemed income of Rs. 37,000 (referred to in para 5) is Rs. 1,400 [i.e. 20% of Rs. 7,000 (Rs. 37,000 deemed income less Rs. 30,000 (basic exemption limit))]. If, the other income is Rs. 4,000, say interest on deposits with companies, then the tax payable on Rs. 41,000 [Rs. 37,000 (deemed income) plus Rs. 4,000 (interest income)] is Rs. 2,200 [i.e. 20% of Rs. 11,000 (Rs. 41,000 less Rs. 30,000 basic exemption limit)].

8. The Income-tax department will not initiate any proceeding under the Act against such persons in respect of the income from retail trade/business of running an eating place or business of operating, hiring or leasing a goods carriage, a motor cab, a maxicab or a three-wheeled motor vehicle or engaged in vocation for the relevant assessment year, unless the Deputy Commissioner has evidence to show that the statement filed is untrue (Section 115N).

Maintenance of books of account, etc. by certain professional persons:

(Section 44AA¹⁸ read with Rule 6F)

(i) Under Rule 6F, persons carrying on profession viz. legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or authorised representative or film artist are required to keep and maintain the books of account and other documents specified hereafter:

18b. An assessee opting for assessment of his business income on presumptive basis under newly inserted sections 44AD and 44AE [Refer Para 7.4 & 7.5 on page 36] is not required to maintain books of account u/s. 44AA in relation to such business income. However, such an assessee should comply with requirements of section 44AA in respect of business which is not covered by the provisions of sections 44AD and 44AE [Vide sections 44AD(4) and 44AE(5)].

19. Other services of a similar nature would include vocations which are of the same genus as the ones mentioned in the definition, that is to say, vocations which do not require any substantial intellectual input. Illustrations of this would be persons earning their livelihood as carpenters, electricians, plumbers, painters, welders, lathe machine operators, taxi drivers, etc. [Vide Circular No. 641, Dt. 9th December, 1992. 199 ITR (St.) 68].

- (a) a cash book, i.e. a record of all cash receipts and payments, kept and maintained from day to day and giving the cash balance in hand at the end of each day or at the end of a specified period not exceeding a month;
- (b) a journal, if the accounts are maintained according to the mercantile system of accounting;
- (c) a ledger;
- (d) carbon copies of machine numbered or serially numbered bills and receipts of over Rs. 25 wherever such bills and receipts are issued;
- (e) original bills wherever issued to the person and receipts in respect of expenditure incurred by the person or, where such bills and receipts are not issued and the expenditure incurred does not exceed Rs. 50, payment vouchers prepared and signed by the person, However, payment vouchers are not required to be maintained in cases where the cash book maintained by him contains adequate particulars in respect of such expenditure incurred by him.

The books of account and document are required to be kept and maintained at the principal place where the profession is carried on.

The books of account and other documents specified above are required to be preserved for a period of 8 years from the end of the relevant assessment year. However, cash book and ledger are required to be preserved for a period of 16 years.

In addition to the books of account and other documents specified above, a person carrying on medical profession shall keep and maintain (i) a daily case register in prescribed Form No. 3C, and (ii) an inventory under broad heads of the stock of drugs, medicines and other consumable accessories used for the purpose of his profession as on the first and the last day of the accounting period.

(ii) Persons carrying on profession [not being a profession referred to in (i) above] or business are required to maintain books of account and documents if their annual income from the profession or business exceeds Rs. 40,000²⁰ or the gross receipts or turnover exceeds Rs. 5,00,000²⁰ in any one of the three years immediately preceding the previous year. In the case of newly set up profession or business, such books have to be maintained if the income from profession or business is likely to exceed Rs. 40,000²⁰ or the gross receipts or turnover is likely to exceed Rs. 5,00,000²⁰ during the previous year in which the profession or business is set up.

For failure to keep, maintain or retain books of accounts, etc., minimum penalty leviable is Rs. 2,000 and maximum penalty is Rs. 1,00,000 [Section 271A].

IMPORTANT

It may be noted that the provisions of Rule 6F will not apply in the circumstances mentioned hereunder:

(1) No books of account, etc. are to be maintained in respect of the accounting period beginning before the 1st day of March, 1983 [Rule 6F (6)].

(2) No books of account, etc. are to be maintained in cases where the total gross receipts of the profession does not exceed Rs. 60,000 in any one of the three years immediately preceding the previous year and in cases where the profession is newly set up in the previous year, the total gross receipts is not likely to exceed Rs. 60,000 [clause (a) of the proviso to Rule 6F(1)].

(3) No books of account need be maintained by a medical practitioner who dispenses drugs and medicines, if total gross receipts from the medical profession do not exceed Rs. 80,000 in any one of the three years immediately preceding the previous year, or, where the profession (including the dispensing of drugs and medicines) has been newly set up in the previous year, his total gross receipts in the profession for that year is not likely to exceed the amount of Rs. 80,000 [clause (b) of the proviso to Rule 6F(1)].

Compulsory audit of accounts of certain persons carrying on business or profession:

[Section 44AB^{20a}]

This section makes it obligatory for a person carrying on business to get his accounts audited before the "specified date" by an accountant (i.e., chartered accountant) if his total sales, turnover or gross receipts in business exceeds Rs. 40,00,000 in any previous year or years relevant to the assessment year 1985-86 or any subsequent assessment year. Likewise, a person carrying on profession will also have to get his accounts audited before the "specified date" if his gross receipts in profession exceed Rs. 10,00,000. Such persons will also be required to obtain audit report in the prescribed Form No. 3CB or 3CC, as the case may be, before the "specified date".

However, where the income of an assessee is chargeable to tax on presumptive basis under sections 44AC or 44B or 44BB or 40BBA or 40BBB, such an assessee is not required to get his accounts audited u/s. 44AB in relation to assessment year 1985-86 and onwards.

20. The monetary limits for compulsory maintenance of books of account in relation to assessment year 1992-93 and earlier years is Rs. 25,000 (as against Rs. 40,000) & Rs. 2,50,000 (as against Rs. 5,00,000), respectively.

20a. An assessee opting for assessment of his business income on presumptive basis under newly inserted sections 44AD and 44AE [Refer Para 7.4 & 7.5 on page 36] is not required to get his accounts audited u/s. 44AB in relation to such business income. However, such an assessee should comply with requirements of section 44AB in respect of business which is not covered by the provisions of sections 44AD and 44AE [vide sections 44AD(4) and 44AE(5)].

In cases where the accounts are required to be audited by or under any other law (as in the case of companies and co-operative societies), it will suffice if the accounts are audited under such other law before the "specified date" and the assessee obtains before the said date the report of the audit under such other law and also a report of the audit in the prescribed Form No. 3CA.

The said audit report will have to be filed with the return of income. If it is not filed, the return will be treated as defective u/s. 139(9). Penalty u/s. 271B also will be leviable for failure to file the audit report along with the return of income.

"Specified date" for companies is 30th November (31st December, upto assessment year 1993-94) and for all other assesseees it is 31st October.

For failure to comply with the provisions of Section 44AB, without reasonable cause, an assessee will be liable to a penalty under section 271B equal to $\frac{1}{2}\%$ of the total sales, turnover or gross receipts, as the case may be, in the business, or of the gross receipts in the profession, in the relevant previous year, subject to a maximum penalty of Rs. 1,00,000.

Note: The Central Board of Direct Taxes has clarified vide Circular No. 452, dt. March, 17, 1986 [Refer 158 ITR (St.) 195] that, "as far as Kachha arahtias²¹ are concerned turnover does not include the sales effected on behalf of the principals and only the gross commission has to be considered for the purposes of section 44AB."

21. In the case of agents whose position is similar to that of Kachha arahtias, the turnover is only the commission and does not include sales on behalf of the principal.

SHORT TERM AND LONG TERM CAPITAL ASSET

[Section 45(1A)]

Capital assets are divided into two categories, namely, short term capital assets and long term capital assets. The period of holding of the asset is the determining factor in this regard. The period of holding of the asset is defined in section 45(1A) as follows:

Category of Asset	Short-term capital asset	Long-term capital asset
1. If the asset is held for a period of less than 36 months.	Yes	No
2. If the asset is held for a period of more than 36 months.	No	Yes

CAPITAL GAINS

[From assessment year 1991-92 and onwards]

(Sections 45 to 55A)

Capital gains means any profits or gains arising from the transfer of a capital asset effected in the previous year.

1. Definitions:

(a) CAPITAL ASSET:

[Section 2(14)]

The term "capital asset" means property of any kind held by an assessee, whether or not connected with his business or profession, but does not include, *inter alia*:

- (1) stock-in-trade, consumable stores or raw materials held for purposes of business or profession,
- (2) personal effects such as wearing apparel, excluding jewellery, furniture, motor car, airconditioner, refrigerator, etc. etc.; held for personal use by the assessee or by any member of his family dependent on him,
- (3) 6½% Gold Bonds, 1977,
- (4) 7% Gold Bonds, 1980,
- (5) National Defence Gold Bonds, 1980,
- (6) Special Bearer Bonds, 1991, and
- (7) agricultural land in India, not being land which is situated within the local limits of any municipality, notified area committee, town committee or a cantonment board and which has a population of not less than ten thousand or which is situated in any area upto a distance of 8 kilometres from such limits or up to such distance from such limits as specified in Notification No. S.O. 77(E), dated February 6, 1973 [89 ITR (St.) 145]. This Notification No. 77(E), has been superseded and substituted vide Notification No. 9447/F. No. 164/3/87-ITA-I, dt. 6-1-1994 [Refer 205 ITR (St.) 121].

Note: Provisions of the Income-tax Act shall not apply to any long-term capital gains arising to the initial subscriber on transfer of Gold Bonds, 1998 [Vide section 5(a)(ii) of the Gold Bonds (Immunities and Exemptions) Act, 1993. Refer page 300 of I.T.R.R. 1993-94].

The term "capital asset" includes "Jewellery" held for personal use which will include:

- (a) ornaments made of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stone, and whether or not worked or sewn into any wearing apparel; and
- (b) precious or semi-precious stones, whether or not set in any furniture, utensil or other article or worked or sewn into any wearing apparel [Explanation to section 2(14)(ii)].

(b) FAIR MARKET VALUE:

[Section 2(22B)]

"Fair market value", in relation to a capital asset, means—

- (i) the price that the capital asset would ordinarily fetch on sale in the open market on the relevant date; and
- (ii) where the price referred to in (i) is not ascertainable, such price as may be determined in accordance with the rules made under the Income-tax Act.

(c) SHORT-TERM AND LONG-TERM CAPITAL ASSET:

[Section 2(42A)]

Capital asset is divided as long-term or short-term with reference to the period of holding of the asset by the assessee or by the previous owner and the assessee under certain circumstances [Refer 4(A) on page 122]. The period of holding of the asset is computed from the date of acquisition to the date immediately preceding its transfer. The periods specified for assessment year 1988-89 & onwards are as under:

Nature of Asset	Short-term capital asset	Long-term capital asset
(1) For assets other than shares in a company ¹	held for <i>not more</i> than 36 months ¹	held for <i>more</i> than 36 months ¹
(2) For assets being shares in a company	held for <i>not more</i> than 12 months	held for <i>more</i> than 12 months

1. However, with effect from assessment year 1995-96 and onwards, a capital asset, being any security listed in a recognised stock exchange in India or a unit of the Unit Trust of India or a unit of Mutual Fund specified u/s. 10(23D), will be treated as "Short-term capital asset" if it is held by an assessee for *not more than 12 months* immediately preceding the date of its transfer. Conversely, the date of its transfer [Vide amended proviso to section 2(42A)].

(d) TRANSFER:

[Section 2(47)]

"Transfer", in relation to a capital asset, includes the sale, exchange or relinquishment of the asset or the extinguishment of any rights therein or the compulsory acquisition thereof under any law or in a case where the asset is converted by the owner thereof into, or is treated by him as, stock-in-trade of a business carried on by him, such conversion or treatment.

Transfer, includes (a) possession of immovable property given without registration of conveyance deed, and (b) transactions in agreements to buy or sell any immovable property or any rights thereon.

Transfer of movable property is complete when delivery of possession is complete. Transfer of immovable property, normally, is complete only when the conveyance deed is registered. However, for the purposes of capital gains, the transfer is treated as a complete with delivery of possession and when agreement to sell/buy immovable property is entered into or when such agreement is itself a subject matter of transaction.

2. Charge of capital gain:

[Sections 45, 46(2) & 47A]

Capital gain is chargeable as income of the previous year in which transfer took place.

Capital gain is chargeable on the following transactions also:

(a) In a case where a capital asset is converted by the owner into or is treated by him as stock-in-trade of a business carried on by him, such conversion or treatment will be treated as "transfer" under section 2(47). Section 45(2) provides that for the purposes of computing "capital gains" in the case of conversion of capital asset into stock-in-trade, the fair market value of the capital asset on the date on which it was converted, will be deemed to be the full value of the consideration received on the transfer. The year of taxability will, however, be the year in which such converted stock-in-trade is sold or otherwise transferred. Thus, in the year of sale of such stock-in-trade, there will be capital gains & business income as under:

(i) **Capital gains:** on the difference between the cost of acquisition and the fair market value on the date of conversion (from assessment year 1993-94 and onwards, such cost of acquisition is to be increased by Cost Inflation Index), and

(ii) **Business income:** on the difference between the sale proceeds and the said fair market value.

Illustration 1: Mr. Shah had purchased a piece of land in May 1981 for Rs. 1,00,000. On 1-5-1993, he started business in real estate and treated the land as stock-in-trade of that business adopting its value as on that date at Rs. 8,00,000. The fair market value of the land on that date was Rs. 4,00,000. On 1-3-1994 he sells the land for Rs. 17,00,000 to a builder. His capital gain and business income for assessment year 1994-95 will be:

Assessment year 1994-95:

(i) **Capital gain:** On land on conversion from capital asset to stock-in-trade:

Fair market value on 1-5-1993, being the date of conversion	Rs. 4,00,000
Less: Cost of acquisition in May, 1981	Rs. 1,00,000

Indexed cost of acquisition [vide 2nd proviso to section 48]:

Cost of acquisition x Cost Inflation Index of the year in which asset is sold ÷ Cost Inflation Index of the year of acquisition, i.e., Rs. 1,00,000 × 244 ^{1a} ÷ 100 ^{1a}	Rs. 2,44,000
---	--------------

Long-term capital gains chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 134]	Rs. 1,56,000
---	--------------

(ii) **Business income:** On sale of land:

Sale proceeds	Rs. 17,00,000
Less: Cost of acquisition being fair market value on the date of conversion (i.e. 1-5-1993)	Rs. 4,00,000
Business income	Rs. 13,00,000

Thus, the aggregate of long-term capital gains & business income for the assessment year 1994-95 will be Rs. 14,56,000

1a. Vide Notification No. 489(E), dt. 5-7-1993 issued u/s. 48 [Refer page 122].

Illustration 2: In the above illustration, suppose Mr. Shah had started his business on 30-4-1983 and converted the land as stock-in-trade on that date at Rs. 8,00,000, then, business income in his case will be as under:

Assessment years 1984-85 to 1994-95:

Capital gains in respect of conversion of land as stock-in-trade of the business

Rs. Nil

Assessment year 1994-95:

Business income:

Sale proceeds	Rs. 17,00,000
Less: Value adopted by Mr. Shah on conversion of land into stock-in-trade on 30-4-1983	Rs. 8,00,000
Business income	Rs. 9,00,000

(b) The profits and gains arising from the transfer of a capital asset by a partner/member to a firm/association of persons/body of individuals (by way of capital contribution or otherwise) will be chargeable to tax as his income under the head "Capital gains" of the previous year in which such transfer takes place. For this purpose the amount recorded in the books of account of firm/A.O.P./B.O.I. will be taken to be the sale consideration and the capital gains will be computed accordingly [Section 45(3)].

(c) The profits and gains arising from the transfer of a capital asset by way of distribution of capital assets to its partners/members on the dissolution of a firm/association of persons/body of individuals or otherwise, will be chargeable to tax as income of the firm/A.O.P./B.O.I. under the head "Capital gains" of the previous year in which the said transfer takes place. For this purpose, the fair market value of the asset on the date of such transfer will be taken to be the sale consideration and the capital gains will be computed accordingly [Section 45(4)].

(d) In the case of transfer by way of compulsory acquisition under any law, the capital gains computed with reference to the compensation initially awarded shall be deemed to be the capital gains of the previous year in which such compensation or part thereof, or such consideration or part thereof, was first received. Any enhanced compensation awarded by any court, tribunal or other authority, will be charged to tax as capital gains of the previous year in which such amount is received, the cost of acquisition and cost of improvement for the purpose of enhanced compensation will be taken to be nil. If the enhanced compensation is received by a person other than the original transferor by reason of the death of the original transferor or for any other reason, capital gains will be charged in the hands of the recipient [Section 45(5)].

(e) Any money or other assets received by a shareholder from a company on its liquidation is chargeable to tax under the head "capital gains" in his hands. Full value of consideration received in such a case will be the money so received or the fair market value of the assets on the date of distribution, as reduced by the amount deemed as dividend u/s. 2(22)(c). The cost of acquisition of the asset will be the cost for which the previous owner, namely, the company acquired it, as increased by cost of any improvement of asset, if any, incurred by the previous owner or the shareholder, as the case may be [Section 46(2) & 49(1)].

(f) Transfer of a capital asset by a company to its subsidiary company and vice versa, provided the transferee is an Indian company and the entire share capital of the subsidiary company is held by the parent company or its nominees, will not be chargeable to capital gains under Section 47(iv) & (v).

However, such a transaction will be chargeable to capital gains under section 47A, if—

(i) the transferee company converts the capital asset into stock-in-trade of its business within a period of 8 years from the date of transfer between the two companies; or

(ii) the parent company or its nominees or the holding company, as the case may be, ceases to hold the entire share capital of the subsidiary company at any time within a period of 8 years from the date of transfer between the two companies.

(g) Capital gain on transfer of goodwill: The gain arising from transfer of goodwill of a business is chargeable to tax as capital gain. In a case where the goodwill was purchased by the assessee, the purchase price will be taken as cost of acquisition. In any other case [not being a case falling u/s. 49(1)(i) to (iv), from assessment year 1995-96], cost of acquisition will be taken to be 'nil'. Cost of improvement also will be 'nil' [Section 55(2)(a) read with section 55(1)(b)].

(h) Capital gain on transfer of tenancy rights, stage carriage permits or lorry hours: From assessment year 1995-96 and onwards, the gain arising from transfer of tenancy rights, stage carriage permits (i.e., route permits) or lorry hours is chargeable to tax as capital gain. In a case where such assets were purchased by the assessee, the purchase price will be taken as cost of acquisition. In any other case [not being a case falling u/s. 49(1)(i) to (iv)], cost of acquisition will be taken to be 'nil' [Amended section 55(2)(a)].

(i) From assessment year 1991-92 and onwards, the difference between the repurchase price of units referred to in section 80CCB(2) [i.e., Equity Linked Savings Scheme] and capital value of such units [i.e., amount invested in such units] shall be chargeable to tax under the head "Capital gains" of the previous year in which such repurchase takes place or the plan referred to in Section 80CCB is terminated [Section 45(6)].

2. This is because, the year of conversion (assessment year 1984-85) is earlier to assessment year 1985-86 from which assessment year the provisions of amended section 2(47) and sub-section (2) to section 45 come into effect. Thus, there will be no capital gain on the difference between cost of acquisition and the value adopted in the books of account on conversion of land as stock-in-trade.

3. Transactions not regarded as transfer:**[Sections 46(1) & 47]**

The following transactions are not considered as a transfer of capital assets and capital gains, if any, which arise from such transactions are totally exempt from tax:

- (a) Distribution of the assets by a company to its shareholders on its liquidation. *Refer section 46(1).*
- (b) Distribution of capital assets on the total or partial partition of a Hindu undivided family. *Refer section 47(i).*
- (c) Any transfer of a capital asset under a gift or will or an irrevocable trust. *Refer section 47(iii).*
- (d) Any transfer of a capital asset by a company to its subsidiary company and vice versa provided the transferee is an Indian company and the entire share capital of the subsidiary company is held by the parent company or its nominees. *Refer section 47(iv) & (v).*

Under proviso to section 47(v), the provisions of clauses (iv) and (v) of section 47 will not apply to the transfer of a capital asset made after 29-2-1988 where the transferee company takes over the capital asset as stock-in-trade at the time of transfer itself. In view of this proviso, capital gain will be chargeable in such cases. It may be noted that if the transferee company converts the capital asset after the transfer as stock-in-trade, capital gain will be chargeable u/s. 47A as explained in item 2(f) on page 120.

(e) Any transfer, in a scheme of amalgamation, of a capital asset by the amalgamating company to the amalgamated company if the amalgamated company is an Indian company. *Refer section 47(vi).*

(f) From assessment year 1993-94 and onwards, any transfer, in a scheme of amalgamation, of a capital asset being share or shares held in an Indian company, by the amalgamating foreign company to the amalgamated foreign company, if:—

(1) at least 25% of the shareholders of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company, and

(2) such transfer does not attract tax on capital gains in the country, in which the amalgamating company is incorporated. *Refer section 47(via).*

(g) Any transfer by a shareholder, in a scheme of amalgamation, of a capital asset being a share or shares held by him in the amalgamating company, if:—

(1) the transfer is made in consideration of the allotment to him of any share or shares in the amalgamated company, and

(2) the amalgamated company is an Indian company. *Refer section 47(vii).*

(h) W.e.f. 1-6-1992, any transfer of a capital asset, being bonds or shares referred to in section 115AC(1), made outside India by a non-resident to another non-resident. *Refer section 47(via).*

(i) Any transfer of agricultural land in India before 1-3-1970. *Refer section 47 (viii).*

(j) Any transfer of a capital asset, being any work of art, archaeological, scientific or art collection, etc., to the Government, or a University or the National Museum, National Art Gallery, etc. *Refer section 47(ix).*

(k) Any transfer by way of conversion of bonds or debentures, debenture-stock or deposit certificates in any form, of a company into shares or debentures of that company. *Refer section 47(x).*

4. Mode of computation and deductions:**(Sections 48, 49, 51 & 55)**

Section 48 provides that, from the full value of consideration received or accruing as a result of the transfer of capital asset, the following amounts should be deducted to arrive at the amount of capital gains:

- (i) The cost of acquisition of the capital asset;
- (ii) The expenditure incurred on any improvement to the capital asset;
- (iii) Expenditure incurred wholly and exclusively in connection with the transfer of the capital asset, such as stamp duty, registration charges, legal fees, brokerage, etc.

ASSESSMENT YEAR 1993-94 AND ONWARDS:

Upto assessment year 1992-93, under the then section 48(2), a basic deduction of Rs. 15,000/Rs. 10,000 plus %ge of the balance is allowed from the long-term capital gains and after making these deductions, reduced amount of capital gains is added to the gross total income [For details, refer item 4(B) on page 124].

From assessment year 1993-94 and onwards, under substituted section 48, the mode of computation of long-term capital gains, as stated above, has been changed. Under 2nd proviso to substituted section 48, long-term (and not short-term) capital gains is to be worked out as under:

(a) $\text{Cost of acquisition} \times \text{Cost Inflation Index of the year in which the asset is transferred} \div \text{Cost Inflation Index of the year of acquisition or the year beginning on 1-4-1981, whichever is later};$

(b) $\text{Cost of improvement} \times \text{Cost Inflation Index of the year in which the asset is transferred} \div \text{Cost Inflation Index of the year of improvement to the asset}.$

The "Cost Inflation Index" will be notified by the Central Government for every year starting from financial year 1981-82 [vide clause (v) of the Explanation to substituted section 48]. Accordingly, the Central Government has notified "Cost Inflation Index" for the financial years 1981-82 to 1993-94 vide Notification No. S.O. 489(E), dated 5th July, 1993 [204 ITR (St.) 49]. The text of the said notification is as under:

NOTIFICATION ON COST INFLATION INDEX

[Notification No. 489(E), dated 5th July, 1993]

In exercise of the powers conferred by clause (v) of the Explanation to section 48 of the Income-tax Act, 1961 (43 of 1961), the Central Government, having regard to seventy-five per cent. of the average rise in the Consumer Price Index for urban non-manual employees, hereby specifies the Cost Inflation Index as mentioned in column (3) of the Table below for the financial year mentioned in the corresponding entry in column (2) of the said Table.

Table

S. No.	Financial Year	Cost Inflation Index	S. No.	Financial Year	Cost Inflation Index
(1)	(2)	(3)	(1)	(2)	(3)
1.	1981-82	100	7.	1987-88	150
2.	1982-83	109	8.	1988-89	161
3.	1983-84	116	9.	1989-90	172
4.	1984-85	125	10.	1990-91	182
5.	1985-86	133	11.	1991-92	199
6.	1986-87	140	12.	1992-93	223
7.	1987-88	150	13.	1993-94	244

The cost of acquisition and/or cost of improvement as adjusted above and the expenses on transfer (i.e., stamp duty, legal fees, brokerage, etc.) will be deducted from the full value of consideration. The resultant figure will be long-term capital gains chargeable to tax under section 112 [Refer item 7 on page 134].

Illustration: Mr. A purchased 1,000 square yards of land at Rs. 100 per square yard in 1970 and sold the same at Rs. 400 per square yard in December, 1993. The fair market value of the said plot of land as on 1-4-1981 was Rs. 150 per square yard. Expenditure incurred in connection with the sale on account of brokerage, etc. is Rs. 10,000. The long-term capital gain for assessment year 1994-95 is to be computed as under:

Sale price of 1,000 square yards @ Rs. 400 per square yard	..	Rs. 4,00,000
Less: (1) Cost of acquisition in 1970: 1,000 Sq. yds. @ Rs. 100 per Sq. yd.	..	Rs. 1,00,000
Fair market value as on 1-4-1981: 1,000 Sq. yds. @ Rs. 150 per Sq. yd.	..	Rs. 1,50,000
Indexed cost of acquisition [Vide 2nd proviso to section 48]:		
Rs. 1,50,000 (being F.M.V. as on 1-4-1981) × 244 (being Cost Inflation Index of the financial year of sale i.e., 1993-94) ÷ 100 (being Cost Inflation Index of the financial year 1981-82) ³	..	Rs. 3,66,000
(2) Expenditure in connection with the sale	..	Rs. 10,000
Long-term capital gain chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 134]	..	Rs. 24,000

Note: The proviso to section 48(1)(a) provides a separate method of computation of capital gains (whether short-term or long-term) arising from the transfer of capital asset being shares in, or debentures of, an Indian company held by non-resident Indian. For further details, refer sub-item (iii) on page 48.

The benefit as stated above has been extended to all non-residents under the 1st proviso to substituted section 48 in relation to assessment year 1993-94 and onwards.

The provision of adjusted cost as stated hereinbefore will not apply in the case of non-resident assessee and also in respect of short-term capital gains.

(A) COST OF ACQUISITION AND COST OF IMPROVEMENT:
(Sections 49, 51 & 55^{3a})

Where any capital asset was negotiated for transfer on any previous occasion and as a result thereof, if any advance money is received and retained, the cost of the asset is to be reduced to the extent of advance money so received or retained in computing the cost of acquisition. Refer section 51.

3. Refer Notification No. 489(E), dt. 5-7-1993 above.

3a. With effect from assessment year 1995-96 and onwards, for the purposes of computing cost of acquisition of a share or any other security as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956 (hereafter referred to as the financial asset), and of the right to acquire further shares or financial assets, the same will be computed as per new clause (aa) to section 55(2). For gist of this new clause (aa), refer Para 8.2(B) on page 37.

EXAMPLE (i): Mr. A negotiated with Mr. B to transfer his immovable property (other than residential house) and received Rs. 15,000 as an earnest money in 1987. Mr. B failed to pay the stipulated price fixed for the property on the due date. The amount of Rs. 15,000 was forfeited and retained by Mr. A. Mr. A sold the said property to another party in June, 1993 for Rs. 3,00,000. The cost of the property purchased in April, 1984 was Rs. 1,40,000.

The long-term capital gain for assessment year 1994-95 is to be worked out as under:

Sale price of the property	Rs. 3,00,000
Less: Cost of acquisition: Property purchased in April, 1984	Rs. 1,40,000
Less: Earnest money retained	Rs. 15,000
	<u>Rs. 1,25,000</u>

Indexed cost of acquisition [Vide 2nd proviso to section 48]:

Rs. 1,25,000 (and not Rs. 1,40,000) \times 244 (being Cost Inflation Index of the financial year of sale i.e., 1993-94)* \div 125 (being Cost Inflation Index of the financial year of acquisition i.e., 1984-85)*

Rs. 2,44,000

Long-term capital gain chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 134] .. Rs. 56,000

In the above example, if the property was sold in June, 1991, the long-term capital gain for inclusion in the gross total income for assessment year 1992-93 will be as under:

Sale price of the property	Rs. 3,00,000
Less: Cost of acquisition	Rs. 1,40,000
Less: Earnest money retained	Rs. 15,000
	<u>Rs. 1,25,000</u>
Long-term capital gain subject to deduction u/s. 48(2)	Rs. 1,75,000
Less: Basic deduction	Rs. 15,000
50% of balance Rs. 1,60,000 (Rs. 1,75,000 less Rs. 15,000)	Rs. 80,000
	<u>Rs. 95,000</u>
Long-term capital gain for inclusion in the gross total income	<u>Rs. 80,000</u>

Where the capital asset became the property of the assessee before 1-4-1981³, he has the option of substituting the fair market value as on 1-4-1981³ in place of the original cost. Refer section 55(2)(b)(i).

Further, the fair market value as on the specified date is to be increased by any expenditure of a capital nature for additions or alterations made on or after the specified date. Refer sections 48 & 55(1)(b)(2).

EXAMPLE (ii): Mr. A purchased 10,000 square yards of land at 1 Rupee per square yard in 1963 and sold the same at Rs. 28 per square yard in December 1991. Expenditure incurred in connection with the sale on account of brokerage, etc. is Rs. 10,000. The fair market value of the said plot of land as on 1-4-1974 was Rs. 15 per square yard.

For assessment year 1992-93, the capital gains for inclusion in the gross total income is to be computed as under:

Sale price of 10,000 square yards @ Rs. 28 per sq. yd.	Rs. 2,80,000
Less: Fair market value as on 1-4-1974: 10,000 Sq. yds. \times Rs. 15 per sq. yd.	Rs. 1,50,000
Expenditure in connection with the sale	Rs. 10,000
	<u>Rs. 1,20,000</u>
Long-term capital gain subject to deduction u/s. 48(2)	Rs. 1,20,000
Less: Basic deduction	Rs. 15,000
50% of the balance Rs. 1,05,000 (Rs. 1,20,000 less Rs. 15,000)	Rs. 52,500
	<u>Rs. 67,500</u>
Long-term capital gain for inclusion in the gross total income	<u>Rs. 52,500</u>

It may be noted that for assessment year 1993-94 and onwards, the fair market value as on 1-4-1981 will be taken into account for adjustment under substituted section 48 and Cost Inflation Index of financial year 1981-82 only will be taken into account for this purpose as explained in Illustration under item 4 on page 122.

Where the capital asset became the property of the assessee by any of the modes specified in section 49(1), the cost of acquisition of the asset shall be deemed to be the cost for which the "previous owner of the property" acquired it, as increased by the cost of any improvement of the asset incurred or borne by the previous owner or the assessee, as the case may be.

Incidentally, for determining whether the capital asset is long-term or short-term [refer item 1(c) on page 118] the period for which such previous owner held the asset will also be added to the period for which the assessee held it [Vide Explanation 1(i)(b) to section 2(42A)]. If the said previous owner acquired the asset before 1-4-1981³, the assessee will have the option to substitute the fair market value as explained above [Vide section 55(2)(b)(ii)].

4. Refer Notification No. S.O. 489(E), dt. 5-7-1993 on page 122.

5. Upto assessment year 1992-93, the option to substitute fair market value in place of cost acquisition was 1-4-1974.

"Previous owner of the property" in relation to any capital asset owned by the assessee means the last previous owner who acquired it by a mode of acquisition other than those referred to in clauses (i) to (iv) of section 49(1) [Explanation to section 49(1)].

Where the shares or debentures in a company, received on conversion of bonds or debentures, debenture-stock or deposit certificates, are sold, the cost of acquisition of such shares or debentures will be the value extinguished out of the cost of bonds or debenture, debenture-stock or deposit certificates [Section 49(2A)].

In the case of transfer of asset between holding and subsidiary companies, capital gains may arise to transferor company under section 47A [Vide item 2(f) on page 120 and item 3(d) on page 121]. If such capital gains is computed in the hands of transferor company, then for computing the capital gains in the hands of transferee company (when it sells the said asset), cost to the previous owner (i.e. transferor company) will not be taken into account. Instead, the cost at which the asset was transferred by the transferor company will be taken as the cost of acquisition of transferee company [Section 49(3)].

Note: Equity share quotation for the purposes of substituting fair market value in respect of computation of "capital gains"—

(a) as on 1-4-1981, in relation to assessment year 1993-94 and onwards, refer pp. 139-146.

(b) as on 1-4-1974, in relation to assessment year 1987-88 to 1992-93, refer pp. 326-331 of I.T.R.R. 1991-92.

(B) DEDUCTIONS FROM LONG-TERM CAPITAL GAINS:

(Section 48)

ASSESSMENT YEARS 1988-89 TO 1992-93:

The statutory deductions or concessions in respect of long-term capital gains are allowed under section 48. Section 48(2)⁶ provides for deduction of 100% in all cases where the long-term capital gains do not exceed Rs. 15,000⁷. Where it exceeds Rs. 15,000⁷, the rates of deductions will be as per chart given hereunder:

<i>Status of the assessee</i>	<i>Rates of deductions in respect of long-term capital gains relating to buildings or lands, gold, bullion or jewellery</i>	<i>Rates of deductions in respect of long-term capital gains relating to other capital assets</i>
1	2	3
Company	Rs. 15,000 ⁷ + 10% of the balance	Rs. 15,000 ⁷ + 30% ⁸ of the balance
Other than company ..	Rs. 15,000 ⁷ + 50% of the balance	Rs. 15,000 ⁷ + 60% of the balance

Where the long-term capital gains relate to assets mentioned in columns 2 and 3 of the chart above, the initial deduction of Rs. 15,000⁷ shall first be allowed against the assets mentioned in column 2 of the chart above and the balance, if any, against the long-term capital gains relating to other capital assets [Vide 1st proviso to section 48(2)].

In cases of compulsory acquisition, the initial deduction of Rs. 15,000⁷ will be restricted to total amount of Rs. 15,000⁷ in relation to the initial compensation as well as additional compensation awarded in subsequent year(s) [Vide 2nd proviso to section 48 (2)].

Section 48(3) provides that the long-term capital loss will be reduced by the deductions specified in section 48(2), that is, by the initial deduction of Rs. 15,000⁷ and on the balance at the percentage as specified in that sub-section. Refer chart above.

From assessment year 1993-94 and onwards, long-term capital gains will be computed in the manner and method discussed in item (4) on page 121.

(C) CAPITAL GAINS IN CASE OF COMPANIES:

Upto assessment year 1992-93, in the case of companies, deduction from long-term capital gains will be allowed at the rates mentioned in chart under item (B) above. The balance of long-term capital gains will be subjected to tax at the rate applicable to other income of the company.

6. The deductions u/s. 48(2) is to be allowed after providing for the exemptions specified in sections 53, 54, 54B, 54D, 54E, 54F and 54G [Explanation to section 53].

7. Upto assessment year 1991-92, initial deduction was Rs. 10,000.

8. For assessment years 1990-91 to 1992-93, where the company is a "venture capital company", and the long-term capital gain arise out of equity shares of venture capital undertakings, the deduction will be Rs. 15,000⁷ + 60% of the balance of such capital gains.

5. Special provision for computation of capital gains in case of depreciable assets: (Section 50)

Capital gains in respect of depreciable asset is to be computed on the basis of block of assets. The conditions and method of computation are as under:

- (1) The capital asset is an asset forming part of a block of assets⁹ in respect of which depreciation has been allowed;
- (2) The capital asset is transferred during the previous year relevant to assessment year 1988-89 and subsequent assessment years;
- (3) The full value of the consideration received or accruing as a result of the transfer of the capital asset of a particular block of assets⁹ exceeds the aggregate of the following amounts, namely—
 - (a) expenditure incurred wholly and exclusively in connection with such transfer;
 - (b) the written down value of the block of assets at the beginning of the previous year; and
 - (c) the actual cost of any asset falling within the block of assets acquired during the previous year,
 the excess so arrived at shall be deemed to be the capital gains arising from the transfer of short-term capital assets.

Illustration: (1) Mr. Shah has the following depreciable block of assets:

Plant 'A' w.d.v. as on 1-4-1987	Rs. 5,00,000
Plant 'B' w.d.v. as on 1-4-1987	Rs. 4,00,000
W.D.V. at the beginning of assessment year 1988-89	Rs. 9,00,000
Less: Depreciation @ 33.33% for assessment year 1988-89 on Rs. 9,00,000	Rs. 2,99,970
W.D.V. at the beginning of assessment year 1989-90	Rs. 6,00,030
Less: Depreciation @ 33.33% for assessment year 1989-90 on Rs. 6,00,030	Rs. 1,99,990
W.D.V. at the beginning of assessment year 1990-91	Rs. 4,00,040
Less: Depreciation @ 33.33% for assessment year 1990-91 on Rs. 4,00,040	Rs. 1,33,333
W.D.V. at the beginning of assessment year 1991-92	Rs. 2,66,707
Less: Depreciation @ 33.33% for assessment year 1991-92 on Rs. 2,66,707	Rs. 88,893
W.D.V. at the beginning of assessment year 1992-93	Rs. 1,77,814
Less: Depreciation @ 25% for assessment year 1992-93 on Rs. 1,77,814	Rs. 44,454
W.D.V. at the beginning of assessment year 1993-94	Rs. 1,33,360
Less: Depreciation @ 25% for assessment year 1993-94 on Rs. 1,33,360	Rs. 33,340
W.D.V. at the beginning of assessment year 1994-95	Rs. 1,00,020
During the financial year ending on 31-3-1994 Mr. Shah:	
(a) acquires new plant 'C' for	Rs. 3,00,000
(b) sells plant 'A' for	Rs. 15,00,000
W.D.V. of plants 'A' & 'B' at the beginning of assessment year 1994-95	Rs. 1,00,020
Add: Cost of new plant 'C' acquired during the previous year ending on 31-3-1994	Rs. 3,00,000
	Rs. 4,00,020
Less: Sale consideration of Plant 'A' for Rs. 15,00,000. As the sale consideration of Rs. 15,00,000 exceeds Rs. 4,00,020, the amount to be deducted is restricted to	Rs. 4,00,020
W.D.V. for the financial year ending on 31-3-1994	NIL ¹⁰

Computation of short-term capital gains:

Sale proceeds of plant 'A'	Rs. 15,00,000
Less: Deductions under section 50(1):	
(i) Expenditure incurred in connection with transfer	Rs. 10,000
(ii) W.D.V. of plant 'A' & 'B' at the beginning of assessment year 1994-95	Rs. 1,00,020
(iii) Actual cost of plant 'C' acquired during the previous year	Rs. 3,00,000
	Rs. 4,10,020
Short-term capital gains	Rs. 10,89,980

9. "Block of assets" means a group of assets falling within a class of assets, being buildings, machinery, plant or furniture, in respect of which the same percentage of depreciation is prescribed [Section 2(11)].

10. Since the W.D.V. is nil, the question of claiming depreciation, in respect of this block of assets, for the financial year ending on 31-3-1994 would not arise.

Illustration: (2) Mr. Shah has the following depreciable assets:

(a)	written down value of block of assets consisting of plants 'A', 'B' & 'C' as on 1-4-1993	Rs. 15,00,000
(b)	cost of new plant 'D' acquired during the previous year ending on 31-3-1994	Rs. 5,00,000
(c)	plants 'A', 'B', 'C' and 'D' transferred during the previous year ending on 31-3-1994	Rs. 25,00,000
(d)	Expenditure incurred in connection with the transfer	Rs. 50,000

Computation of short-term capital gains:

Sale proceeds of plants 'A', 'B', 'C' & 'D' [Refer (c)]	Rs. 25,00,000
Less: Deductions under section 50(2):	
(i) Expenditure incurred in connection with transfer Rs. 50,000 [Refer (d)]	Rs. NIL ¹¹
(ii) W.D.V. of plants 'A' & 'B' & 'C' as on 1-4-1993 [Refer (a)]	Rs. 15,00,000
(iii) Actual cost of plant 'D' acquired during the previous year [Refer (b)]	Rs. 5,00,000
Short-term capital gains	Rs. 20,00,000
	Rs. 5,00,000

Note: No depreciation is allowable in the above illustrations in respect of this block of assets. If, in the above illustration (2), sale proceeds (of all the asset in relevant block) had been Rs. 19,00,000 instead of Rs. 25,00,000, then, short-term capital loss would be Rs. 1,00,000 (Rs. 20,00,000 less Rs. 19,00,000). [Refer Example No. 3 of Circular No. 469, dt. 23-9-1986. 162 ITR (St.) 30].

For assessment year 1993-94 and onwards, the provisions of adjusted cost will not apply to short-term capital gains as the said provisions applies to long-term capital gains only under substituted section 48 [Refer item(4) on page 121].

6. Exemptions

(A) CAPITAL GAINS ON RESIDENTIAL HOUSE¹²:

(Section 53)

Assessment years 1989-90 to 1992-93¹³:

Section 53 provides that where a residential house belonging to an individual or a Hindu undivided family (income from which chargeable under the head "Income from house property"¹⁴) and held for more than three years is transferred, the long-term capital gain arising therefrom will be exempt, provided the full value of consideration does not exceed Rs. 2,00,000 and the assessee does not own on the date of transfer any other residential house other than residential house sold.

However, in cases where the consideration received or accruing exceeds Rs. 2,00,000, the exemption will be allowed proportionately under section 53(b) as per illustration given hereunder:

Assessment year 1992-93:

Illustration:

1.	Mr. A sold a residential house on 1-7-1991 for	Rs. 4,00,000
2.	Mr. A had purchased the residential house in 1980 for	Rs. 50,000
3.	Mr. A purchased another residential house on 2-12-1991 for	Rs. 1,25,000
4.	Mr. A invested in capital gains units of Unit Trust of India on 2-12-1991	Rs. 40,000
5.	On 1-7-1991, he did not own any residential house other than the house sold	Rs. —

Long-term capital gain accrued on 1-7-1991 [Rs. 4,00,000 (Refer 1) less Rs. 50,000 (Refer 2)] .. Rs. 3,50,000

Less: Exemptions under sections 53, 54 & 54E:

(a) Exemption under section 53(b):

Value of consideration exempt u/s. 53	Capital gain	Full value of consideration	
Rs. 2,00,000	Rs. 3,50,000	Rs. 4,00,000	= .. Rs. 1,75,000

(b) Exemption under section 54:

For purchase of another residential house on 2-12-1991 (Refer 3) .. Rs. 1,25,000

(c) Exemption under section 54E:

Capital gain	Inv. in units	Net consideration	
Rs. 3,50,000	Rs. 40,000	Rs. 4,00,000	= Rs. 35,000
			Rs. 3,35,000

Long-term capital gain .. Rs. 15,000

Less: Basic deduction under section 48(2)(a) .. Rs. 15,000

Long-term capital gain for inclusion in gross total income .. Rs. NIL

11. In cases where all the assets of a particular block of assets are transferred during the previous year, there is no provision in sub-section (2) of section 50 for deduction of "expenditure incurred wholly and exclusively in connection with the transfer or transfers" while computing the short-term capital gains. In other words, expenditure in connection with transfer is not deductible from the sale proceeds in such cases.

12. From assessment year 1993-94 and onwards, the exemption u/s. 53 is not available as the said section is omitted w.e.f. 1-4-1993.

13. In my opinion, clarification issued by C.B.D.T. vide Circular No. 538 issued u/s. 54 (Refer footnote No. 14 on page 127) would also apply to section 53.

Where investment in new residential house or investment in units is less than what is stated above, then, the long-term capital gain will be more than Rs. 15,000. In such cases, Mr. A is entitled to deduction of Rs. 15,000 and in respect of the balance amount of capital gain, he is entitled to deduction at the rate of 50%.

The exemption under section 53 will be allowable if the following conditions are satisfied:

- (1) the residential house is held for more than three years;
- (2) the assessee does not own any other residential house on the date of such transfer; and
- (3) the assessee is an individual or a Hindu undivided family.

(B) PROFIT ON SALE OF PROPERTY USED FOR RESIDENCE:

(Section 54)

Where an assessee being an individual or a Hindu undivided family, transfers residential house (hereafter referred to as the original asset), whether self-occupied or not, the income of which is chargeable under the head "Income from house property"¹⁴, the capital gain arising as a result of transfer or sale of such property will be fully exempt and will not be included in the gross total income provided the following conditions are fulfilled:

- (1) the residential house (original asset) is held for a period of more than three years;
- (2) the assessee has purchased a residential house (hereafter referred to as the new asset) within a period of one year before or two years after the date of transfer or sale of original asset or has constructed¹⁵ a residential house (new asset) within a period of three years after the date of transfer or sale of the original asset;
- (3) where the amount of the capital gain is not appropriated or utilised for acquisition of the new asset before the due date of furnishing the return of income, it should be deposited by the assessee in an account with any specified bank or institution as explained in item (I) on page 132;
- (4) the cost of the new asset (residential house) equals or exceeds the amount of capital gain.

Where the amount of capital gain is greater than the cost of new asset, the difference between the amount of capital gain and the cost of new asset will be chargeable as "long-term capital gain" of the previous year in which the original asset was sold.

Where the new asset is sold within 3 years from the date of its purchase or construction, as the case may be, the cost of new asset is to be reduced by the amount of capital gain exempted from tax on the original asset and the difference between the sale price of such new asset and such reduced cost will be chargeable as *short-term capital gain* and treated as the income of the previous year in which the new asset is sold.

Assessment year 1993-94 & onwards:

EXAMPLE (iii): Mr. A is the owner of a residential house which was purchased in April, 1984 for Rs. 1,25,000. He sold the said residential house for Rs. 4,00,000 on 30-6-1993. The long term capital gain as a result of transfer for the assessment year 1994-95 will be as under:

Sale price of the residential house	Rs. 4,00,000
Less: Cost of acquisition:	
Purchased in April, 1984 for	Rs. 1,25,000
Adjusted cost of acquisition under 2nd proviso to substituted section 48 [Refer item (4) on page 121]:	
Rs. 1,25,000 (cost of acquisition) × 244 (Cost Inflation Index of the financial year of sale i.e., 1993-94) ÷ 125 (Cost Inflation Index of the financial year of acquisition i.e., 1984-85) is	Rs. 2,44,000
Long-term capital gain chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 134]	Rs. 1,56,000

14. An assessee shall be entitled to exemption even in respect of self-occupied residential house annual value of which is 'nil' under the head "Income from house property" by virtue of section 23(2) read with section 24 [Refer Circular No. 538 Dt. 13th July, 1989 — 179 ITR (St.) 23].

15. (a) The Board has clarified that "if the amount of capital gain for the purposes of section 54, and the net consideration for the purposes of section 54F, is appropriated towards purchase of a plot (of land) and also towards construction of a residential house thereon, the aggregate cost should be considered for determining the quantum of deduction u/s. 54/54F, provided that the acquisition of plot and also the construction thereon are completed within the period specified in these sections" [Vide Circular No. 667, dt. 18-10-1993. 204 ITR (St.) 103].

(b) In respect of flats allotted under the Self-financing Scheme of the Delhi Development Authority, the allottee gets title to the property on the issuance of the allotment letter. The Board has clarified that "in such an event, allotment of flats under the said scheme shall be treated as cases of construction for the purpose of section 54/54F" [vide Circular No. 471, dated 15-10-1986 162 ITR (St.) 41].

(c) The Board has clarified that, "if the terms of the schemes of allotment and construction of flats/houses by the co-operative societies/other institutions are similar to those mentioned in para 2 of the Circular No. 471, dated 15-10-1986, such cases may also be treated as cases of construction for the purposes of section 54/54F" [vide Circular No. 672, dated 16-12-1993, 205 ITR (St.) 47].

- (a) If Mr. A purchases on or after 1-7-1992 but before 30-6-1995¹⁶ a residential house for Rs. 2,50,000, the long-term capital gain of Rs. 1,56,000 will not be chargeable u/s. 45 for the assessment year 1994-95. But the cost of the new property purchased shall be taken at Rs. 94,000 if the same is sold or transferred within 3 years from the date of its purchase.
- (b) If Mr. A constructs a residential house costing Rs. 2,50,000^{16a} after 30-6-1993 but on or before 29-6-1996¹⁶ then also the long-term capital gains of Rs. 1,56,000 is not chargeable u/s. 45 for the assessment year 1994-95. But the cost of the newly constructed property shall be taken at Rs. 94,000 if the same is sold or transferred within 3 years of its construction.
- (c) In the above example, if the cost of construction or purchase of the new property is Rs. 1,50,000, then, the long-term capital gain of Rs. 6,000 (Rs. 1,56,000 capital gain of old residential house less Rs. 1,50,000 cost of new residential house) is chargeable u/s. 45 and income-tax thereon at the flat rate of 20% is payable u/s. 112 for the assessment year 1994-95.
In this case, if the new property is sold within 3 years from the date of its construction or purchase, as the case may be, the whole amount of sale proceeds will be treated as short-term capital gain and will be included in the gross total income of the year in which such new property is sold or transferred as its cost at the time of sale will be taken to be nil in view of the exemption of capital gain of Rs. 1,50,000 already allowed.
- (d) If the new property as stated above is sold after three years from the date of purchase or the construction, as the case may be, the cost of such property purchased or constructed is to be taken to be the actual cost and for the purpose of determining long-term capital gain arising on the sale, the provisions of adjusted cost would apply [Refer item (4) on page 121].

(C) TRANSFER OF LAND USED FOR AGRICULTURAL PURPOSES:

(Section 54B)

Where the capital gain arises on or after 1-3-1970 from the transfer of agricultural land which was used by the assessee or his parent for agricultural purposes for a period of two years immediately preceding the date of transfer, the capital gain arising as a result of transfer or sale of such agricultural land is not to be charged u/s. 45 provided the following conditions are fulfilled:

- (i) The assessee has purchased any other land for being used for agricultural purposes within a period of two years after the date of transfer or sale; and
- (ii) the cost of the land so purchased equals or exceeds the amount of capital gain.

In cases where the amount of capital gain is greater than the cost of agricultural land so purchased, the difference between the amount of capital gain and the cost of new agricultural land so purchased will be treated as capital gain relating to lands and buildings. If such new agricultural land is sold within a period of three years from the date of its purchase, the entire amount received as a result of sale or transfer will be treated as capital gain relating to lands and buildings.

In cases where the amount of "capital gains" is less than or equal to the cost of new agricultural land, such capital gain will not be chargeable u/s. 45. However, where such new agricultural land is sold or transferred within a period of three years from the date of its purchase, the cost of such new agricultural land is to be reduced by the amount of capital gain which had been exempt from tax.

For computing capital gain and the cost of new asset, etc. under certain circumstances, please refer the method and manner explained in example No. (iii) on page 127.

Where the amount of the capital gain is not utilised for acquisition of the new asset before the due date of furnishing the return of income, it should be deposited by the assessee in an account with any specified bank or institution as explained in item (I) on page 132.

**(D) COMPULSORY ACQUISITION OF LANDS AND BUILDINGS IN THE CASE OF PERSONS
OWNING INDUSTRIAL UNDERTAKING:**

(Section 54D)

Section 54D provides relief from tax, in the case of persons owning industrial undertakings, in respect of capital gain arising on compulsory acquisition of any land or building used by them for the purposes of the business. This tax relief will be available only in cases where such compulsorily acquired land or building was used by the assessee for the purposes of the business of an industrial undertaking during the two years immediately preceding the date of compulsory acquisition and the assessee purchases any other land or building or constructs any other building within three years from the date of compulsory acquisition for the purposes of shifting, or re-establishing the said undertaking or setting up another industrial undertaking. The capital gain, in such cases, will not be chargeable u/s. 45 to the extent it is utilised for purchasing or constructing the new asset.

16. If the amount of capital gain is not appropriated or utilised for acquisition of the new residential house before the due date of furnishing return of income for the assessment year 1994-95, Mr. A will have to deposit the unappropriated or unutilised amount of capital gain in an account with any specified bank or institution before the due date for furnishing the return of income u/s. 139(1). For details, refer item (I) on page 132.

16a. Refer footnote No. 15 on page 127.

In cases where the amount of capital gain exceeds the cost of purchase of the other land or construction of the other building, the excess will be chargeable as capital gain u/s. 45. However, where such new land or building is sold within a period of three years, its cost will be taken to be nil and the entire amount received as a result of sale or transfer will be treated as capital gain relating to lands and buildings arising in the year of sale.

In cases where the amount of capital gain is less than or equal to the purchase price or cost of construction (of new land and building), such capital gain will not be chargeable u/s. 45. However, as explained in example (iii) on page 127, where such new land or building is sold or transferred within a period of three years from the date of its purchase or construction, as the case may be, the cost of such land or building is to be reduced by the amount of capital gain which had been exempted from tax.

Where the amount of the capital gain is not utilised for acquisition of the new asset before the due date of furnishing the return of income, it should be deposited by the assessee in an account with any specified bank or institution as explained in item (I) on page 132.

(E) LONG-TERM CAPITAL GAIN ON TRANSFER OF CAPITAL ASSETS NOT TO BE CHARGED IN CERTAIN CASES:
(Section 54E)

The exemption in respect of capital gains accruing or arising on transfer of a long-term capital asset before 1-4-1992 (and not on or after 1-4-1992¹⁷) will be available if the assessee invests or deposits within a period of six months¹⁸ the whole or any part of the net consideration in any specified financial asset given hereunder by initially subscribing to the new asset.

SPECIFIED FINANCIAL ASSETS:

Under Explanation 1 to section 54E(1), the financial assets which qualify for exemption are as under:

- (1) Securities of the Central Government which that Government may, by notification in the Official Gazette, specify in this behalf;
- (2) Capital Gains Unit Scheme, 1982, of the Unit Trust of India vide Notification No. G. S. R. 804 (E) dated 27-10-1983;
- (3) 7-year National Rural Development Bonds or National Rural Development Bonds (Second Issue), 1983 vide Notification No. G. S. R. 504 (E) dated 21-6-1983;
- (4) Such debentures issued by the Housing and Urban Development Corporation Limited, as the Central Government may, by notification, specify in this behalf;
- (5) Such bonds issued by any public sector company, as the Central Government may, by notification in the Official Gazette, specify in this behalf¹⁹;
- (6) Such debentures or bonds issued by the National Housing Bank, as the Central Government may, by notification in the Official Gazette, specify in this behalf²⁰.

It may be noted that:

(1) In order to qualify for exemption under section 54E, the following three conditions must be satisfied:

(a) The original capital asset other than share of a company must have been held for more than thirty-six months before the date of its transfer. The original capital asset, being a share held in a company must have been held for more than twelve months before the date of its transfer.

(b) The net consideration (full value of the consideration as reduced by any expenditure incurred wholly and exclusively in connection with such transfer) is invested or deposited within six months from the date of its transfer in any of the specified financial assets listed above.

It may be noted that where a long-term capital asset is converted into stock-in-trade, the period of six months will be counted from the date of conversion and not from the date of sale of such converted capital asset [Vide Circular No. 560 dt. 18-5-1990. 184 ITR (St.) 1].

(c) The new asset (viz. investment or deposit in specified financial assets) is held for a period of not less than three years.

(2) If the long-term capital gain on transfer of capital asset is Rs. 15,000²¹ or less during the year, then, even if the assessee does not make any investment or deposit in specified financial assets, such capital gain though includible in the gross total income is subject to deduction upto Rs. 15,000²¹ for assessment year 1992-93 under section 48(2).

17. However, where the assessee has received any amount by way of advance on or before 29-2-1992 and had invested or deposited the whole or any part of such amount in any specified financial asset on or before 29-2-1992, the exemption u/s. 54E will be available, even if the transfer of long-term capital asset is after 31-3-1992 [Refer section 54E(1C). Also refer Para 35.11 of Circular No. 636, dt. 31-8-1992 - 198 ITR (St.) 28].

18. If the assessee invests the earnest money or the advance received in specified assets before the date of transfer of asset, the amount so invested will qualify for exemption u/s. 54E [Vide Circular No. 359, dt. 10-5-83. 143 ITR (St.) 2].

19. Notified bonds are (a) 3-year IDBI Capital Bonds issued by the Industrial Development Bank of India [Vide Notification No. S.O. 847, Dt. 13-4-1987. 172 ITR (St.) 2] and (b) 3-year HUDCO Capital Gains Debentures issued by the Housing & Urban Development Corporation Ltd. [Vide Notification No. S.O. 2469, dt. 15-7-1987. 169 ITR (St.) 64].

20. Bonds notified is NHB 9% Capital Bonds [Vide Notification No. S.O. 780 (E), dt. 11-10-1990. 186 ITR (St.) 7].

21. For assessment years 1988-89 to 1991-92, initial deduction was Rs. 10,000.

(3) Where only a part of the consideration is used in acquiring any of the specified financial assets, a proportionate part of the capital gain will be exempt as explained in example No. (iv) given hereafter [Section 54E(1)(b)].

(4) Where the new asset (viz. investment or deposit in specified financial asset) is transferred, or converted into money, within three years from the date of its acquisition, the exemption will stand forfeited and the amount of the capital gain arising on the transfer of the original asset not charged to tax will be deemed to be long-term capital gain of the previous year in which the new asset (viz. investment or deposit in specified financial asset) is transferred, as explained in example No. (iv) given hereafter [Section 54E(2)].

(5) Where the assessee invests the whole or part of the net consideration in respect of such asset in any specified new asset and subsequently takes a loan or advance on the security of such new asset within three years from the date of its acquisition, the amount of capital gains originally exempted will be charged to tax as long-term capital gains of the previous year in which such loan or advance is taken [Explanation 2 to section 54E(2)].

(6) Where, a capital gain arising from the transfer of a long-term capital asset has been charged to tax before the expiry of 6 months from the date of such transfer and the assessee has invested or deposited the sale proceeds in any of the specified financial assets within the time allowed under section 54E, then, such assessment will be rectified u/s. 155(10A) by excluding the capital gain not liable to tax.

Upto assessment year 1992-93:

EXAMPLE (iv): Mr. A transfers shares of companies on 5-6-91 for a net consideration of Rs. 75,000. The shares were purchased by him on 1-5-90 for Rs. 30,000. The capital gain on sale of such capital asset is Rs. 45,000.

(a) If Mr. A invests the net consideration of Rs. 75,000 in specified financial assets (Refer page 129) within six months from 5-6-91, the whole of the capital gain of Rs. 45,000 will be exempt from tax.

(b) If Mr. A invests only Rs. 25,000 being part of the net consideration in specified financial assets (Refer page 129) within six months from 5-6-91, in that case only proportionate capital gain will be exempt as under:

Capital gain on Rs. 75,000 being the net consideration on sale is				Rs.	45,000
Less: Proportionate capital gain on Rs. 25,000 being the amount of investment made:					
Capital gain		Investment		Net consideration	
Rs. 45,000	×	Rs. 25,000	÷	Rs. 75,000	=
					Rs. 15,000
Long-term capital gain subject to deduction u/s. 48(2)(b)(ii)(B) upto A.Y. 1992-93					Rs. 30,000

(c) If Mr. A transfers or converts the said investment made in specified financial assets into money, the investment (investment being made on 4-10-91) before 3-10-94, say on 2-11-93, then, the exemption allowed under section 54E will stand forfeited and the capital gain of Rs. 45,000 or Rs. 15,000, as the case may be, will be deemed to be long-term capital gain for the assessment year 1994-95. It may be noted that in the event of any gain or loss arising as a result of transfer of such specified financial asset, the same will be treated as short-term capital gain or short-term capital loss for the assessment year 1994-95.

NOTES:

(1) The assessee has invested or deposited within a period of six months the whole or part of the net consideration in the specified financial asset by initially subscribing to such new asset,

(2) The assessee does not take any loan or advance on the security of such specified financial asset during a period of 3 years from the date on which investment in such specified financial asset is made, and

(3) The new asset is held for a period of more than thirty-six months.

The provisions of section 54E and sections 53, 54, 54B, 54D or 54F are not mutually exclusive. Therefore, it is permissible to claim exemption in respect of capital gain arising from the transfer of a capital asset:

(1) partly under section 54E (upto assessment year 1992-93), by investing or depositing a part of the net consideration in any of the specified financial assets, and

(2) partly under any of the sections referred to above [viz. sections 53 (upto assessment year 1992-93), 54, 54B, 54D or 54F] by utilizing the capital gains for acquiring a new asset referred to therein.

(F) LONG-TERM CAPITAL GAIN ON TRANSFER OF CERTAIN CAPITAL ASSETS NOT TO BE CHARGED IN CASE OF INVESTMENT IN RESIDENTIAL HOUSE:

(Section 54F)

The long-term capital gain arising from the transfer of any capital asset, not being a residential house, will be exempt if the assessee has purchased or constructed a residential house subject to the fulfilment of all the conditions given hereunder:

(i) the assessee is an individual or a Hindu undivided family;

(ii) the capital gain arises from the transfer of any long-term capital asset (hereafter referred to as the original asset) other than a residential house;

(iii) within a period of one year before or two years after the date of transfer or sale of original asset, the assessee purchases a residential house or constructs²² a residential house (hereafter referred to as the new asset) within three years after the date of transfer or sale of original asset;

(iv) where the amount of the net consideration is not appropriated or utilised for acquisition of the new asset before the due date of furnishing the return of income, it should be deposited by the assessee in an account with any specified bank or institution as explained in item (I) on page 132.

(v) the cost of purchase or construction of new asset is not less than the net consideration in respect of the original asset;

(vi) on the date of transfer of original asset, the assessee—

(a) does not own any other residential house other than new asset, and

(b) does not purchase within 2 years or constructs within 3 years after that date, any other residential house other than new asset.

If these conditions are satisfied, the capital gain arising on sale or transfer of original asset will be wholly exempt.

Where only a part of the net consideration is invested in the new asset (viz. residential house), then, only proportionate capital gain will be exempt as explained in example No. (v) given hereafter.

After availing the exemption, the assessee—

(i) has to retain the new asset (residential house) for a period of not less than 3 years from the date of purchase or construction, and

(ii) should not purchase any other residential house other than new asset for a period of 2 years from the date of transfer of original asset or construct any other residential house other than new asset for a period of 3 years from the date of transfer of original asset.

If the above conditions are not satisfied, then, the capital gain originally exempted on transfer of the original asset, shall be treated as long-term capital gain²³ of the previous year in which such new asset is sold or another residential house other than new asset is purchased or constructed, as the case may be. In other words, the exemption is not available to those who own or acquire more than one residential house within a period of two years or three years, as the case may be. This one house (residential) may be let out or self-occupied.

EXAMPLE: (v) Mr. A transfers shares of companies (or any asset other than a residential house) on 5-6-1993 for a consideration of Rs. 7,80,000. The shares were purchased on 1-6-1987 for Rs. 1,50,000.

(1) Net consideration on sale is Rs. 7,50,000 [Rs. 7,80,000 less Rs. 30,000 (expenses exclusively on transfer)].

(2) Capital gain on sale is Rs. 5,06,000 [Rs. 7,50,000 (net consideration) less Rs. 2,44,000 (indexed cost of acquisition²⁴)].

(a) Mr. A purchases for Rs. 7,50,000 a residential house after 5-6-1992 but before 5-6-1995²⁵. The whole long-term capital gain of Rs. 5,06,000 will be exempt, provided Mr. A does not own any other residential house on 5-6-1993 or purchase another residential house before 5-6-1995 or Mr. A does not construct any other residential house before 5-6-1996.

(b) In the above case, if the investment in the residential house (by purchase or construction, as the case may be) is only Rs. 3,75,000, only proportionate capital gain will be exempt as under:

Capital gain on net consideration of Rs. 7,50,000 [Refer (2)] Rs. 5,06,000

Less: Exemption under section 54F:

Capital gain	Investment in residential house	Net consideration	
Rs. 5,06,000	Rs. 3,75,000	Rs. 7,50,000	Rs. 2,53,000
	×	÷	
Long-term capital gain chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 134]			Rs. 2,53,000

22. Refer footnote No. 15 on page 127.

23. In such a case, where the long-term capital gain is chargeable to tax, then, initial deduction of: (1) Rs. 10,000 upto assessment year 1991-92, & (2) Rs. 15,000 for assessment year 1992-93, u/s. 48(1)(b) will not be admissible [Explanation to section 54F(4)].

24. Adjusted cost of acquisition is arrived at as under:

Rs. 1,50,000 (cost of acquisition) × 244 [being Cost Inflation Index of the financial year of sale i.e., 1993-94 (refer Notification on page 122)] ÷ 150 [being Cost Inflation Index of the financial year of acquisition i.e., 1987-88 (refer Notification on page 122)] = Rs. 2,44,000.

25. If the amount of net consideration is not appropriated or utilised for acquisition of a residential house before the due date of furnishing return of income for the assessment year 1994-95, Mr. A will have to deposit the unappropriated or unutilised amount of net consideration in an account with any specified bank or institution before the due date for furnishing the return of income u/s. 139(1). For details, refer item (I) on page 132.

- (c) If Mr. A purchases yet another residential house before 5-6-1995 or constructs one before 5-6-1996, then also the long-term capital gain of Rs. 5,06,000 or Rs. 2,53,000 which was exempted earlier will be charged to tax as long-term capital gain of the assessment year in which the second residential house was purchased or constructed.
- (d) If Mr. A transfers the new residential house (say, purchased or constructed on 4-5-1994) before 3-5-1997, say on 1-11-1995, then the long-term capital gain of Rs. 5,06,000 or Rs. 2,53,000 which was exempted earlier will be deemed to be long-term capital gain of assessment year 1996-97 (that is, in the year of sale of the new asset).

EXAMPLE: (vi)	1. Mr. A sells shares & securities on 2-9-1993 for net consideration of	Rs. 5,00,000
	(on 2-9-1993, he was not owning any other residential house).	
	2. Mr. A had purchased these shares and securities in April, 1981 for	Rs. 1,00,000
	3. Long-term capital gain accrued on 2-9-1993 (Rs. 5,00,000 less Rs. 2,44,000 ²⁶)	Rs. 2,56,000
	4. Mr. A purchased residential house on 2-12-1993 for	Rs. 3,75,000
	Long-term capital gain in respect of transfer of shares and securities (Refer 3)	Rs. 2,56,000
	Less: Exemption u/s. 54F for purchase of residential house (Refer 4):	
	Purchase of residential house Rs. 3,75,000 × capital gain Rs. 2,56,000 ÷ Net consid-	
	eration Rs. 5,00,000	Rs. 1,92,000
	Long-term capital gain chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 134]	Rs. 64,000

(G) CAPITAL GAINS ON SHIFTING OF INDUSTRIAL UNDERTAKINGS FROM URBAN AREAS:
(Section 54G)

Section 54G provides that any capital gain whether short-term or long-term arising on transfer of machinery, plant, building or land used for the purposes of the business of an industrial undertaking due to such undertaking shifting from urban to non-urban area, is exempt to the extent such gain is utilised, within a period of one year before or three years after the date of transfer for the purchase of new machinery or plant or acquiring land or building or constructing building or for the expenses incurred on such other purposes as may be specified in a scheme to be framed by the Central Government.

Where the amount of capital gain is not appropriated or utilised for purchase of new asset before the due date of furnishing the return of income, then the amount of gains has to be deposited in the deposit scheme as explained in item (I) hereafter.

(H) EXTENSION OF TIME FOR ACQUIRING NEW ASSET OR DEPOSITING OR INVESTING AMOUNT OF CAPITAL GAIN IN COMPULSORY ACQUISITION CASES:
(Section 54H w.e.f. 1-10-1991)

In cases of compulsory acquisition, capital gain is assessable in the year in which compensation is first received [Refer item 2(d) on page 120]. Section 54H provides for extension of time for acquiring new asset or making investment prescribed under sections 54, 54B, 54D, 54E (upto 31-3-1992) & 54F in such cases. The various time limits will be reckoned from the date of receipt of compensation. It has also been provided that where the compensation is received before 1-4-1991 and the prescribed time limit under the respective sections has already expired, then, the said period(s) will stand extended upto 31-12-1991.

(I) SCHEME FOR DEPOSITS TO AVAIL EXEMPTION FROM CAPITAL GAINS:

For availing exemption under sections 54, 54B, 54D, 54F & 54G from capital gain, where the amount of capital gain or the net consideration, as the case may be, is not appropriated or utilised by the assessee for acquisition of the new asset before the date of furnishing the return of income, it shall be deposited by him on or before the due date of furnishing the return of income, in an account with any specified bank or institution and utilised in accordance with the Capital Gains Accounts Scheme, 1988 framed by the Central Government in this regard. Such return shall be accompanied by proof of such deposit. The amount already utilised in purchase or construction of the new asset together deposited has to be utilised within the time specified for the acquisition of new asset under respective sections i.e. 54, 54B, 54D, 54F & 54G. If the amount deposited is not utilised wholly, the capital gain will be brought to tax in the year in which the specified period expires and if only part of the deposit is utilised, the capital gain relatable to the unutilised deposit will be brought to tax in the year in which the specified period expires. Further in such cases, upto assessment year 1992-93, exemption under section 53 (in respect of residential house referred to in section 54) and/or initial deduction of Rs. 15,000²⁷ under section 48 will not be admissible and the assessee will be entitled to withdraw the deposit in accordance with the scheme.

26. Adjusted cost of acquisition is arrived at as under:

Rs. 1,00,000 (cost of acquisition) × 244 [being Cost Inflation Index of the financial year of sale i.e., 1993-94 (refer Notification on page 122)] ÷ 100 [being Cost Inflation Index of the financial year of acquisition i.e., 1981-82 (refer Notification on page 122)] = Rs. 2,44,000.

27. For assessment years 1988-89 to 1991-92, the initial deduction was Rs. 10,000. From assessment year 1993-94 and onwards deduction is Rs. Nil.

IMPORTANT FEATURES OF CAPITAL GAINS ACCOUNTS SCHEME:
[Notification No. G.S.R. 724(E), dt. 22nd June, 1988. Refer 172 I.T.R. (St.) 54]

1. Under the Capital Gains Accounts Scheme, 1988, "depositor" is defined to mean an assessee who is eligible to make a deposit under sections 54, 54B, 54D, 54F or 54G of the Income-tax Act, 1961 [Paragraph 2(f)].

2. "Deposit Office" means the bank notified by the Central Government to receive deposit and maintain account of the depositor [Paragraph 2(e)]. For notified bank, refer Notification No. G.S.R. 725(E), dt. 22nd June, 1988. 172 I.T.R. (St.) 74.

3. Every depositor who is desirous of opening account(s) for the first time, shall apply to the deposit office in Form A in duplicate together with the amount of deposit to be paid either in cash or by crossed cheque or by draft. Such deposit can be made in one lump sum or in instalments at any time on or before the due date of furnishing the return of income. For availing benefit of exemption from capital gains under more than one section, depositor has to make separate applications for opening accounts under each of such sections. There are two types of deposit accounts (1) "Deposit account-A" in the form of 'savings deposit', and (2) "Deposit account-B" in the form of 'term deposit' with an option to keep the deposit as cumulative or non-cumulative. A depositor has an option to open any of these accounts or both. Nomination in respect of an account can be made by the depositor, who is an individual, in Form E. For the deposit under account-A, deposit office will issue passbook. For the deposit under account-B, deposit office will issue a deposit receipt [Paragraphs 4, 5 & 11].

4. For the deposit made under account-A, interest at the rate specified by the Reserve Bank of India will be allowed for each calendar month on the lowest balance between the close of 10th day and end of the month and credited to the account at the end of each half-year. For the deposit made under account-B, interest at the rate specified by the Reserve Bank of India will be allowed [Paragraph 8].

5. A depositor having a deposit in account-B can convert the said account into account-A by applying in Form B. Account can be transferred from one branch to another branch of the same bank [Paragraph 7].

6. Application in Form C has to be made in respect of first withdrawal from account-A and for subsequent withdrawals from the said account in Form D in duplicate stating therein the manner and extent of utilisation of the amount of immediately preceding withdrawal. The amount so withdrawn has to be utilised by the depositor, within 60 days from the date of withdrawal, for the purposes specified in sub-section (1) of section 54 or 54B or 54D or 54F or 54G. The amount which has not been so utilised is to be re-deposited in account-A immediately thereafter. In the same manner withdrawal from account-B will also be allowed provided depositor has converted the said account into account-A in the manner explained in 5 [Paragraphs 9 & 10].

7. For closure of account, an application has to be made, with the approval of the Assessing Officer, to the deposit office in Form G. In the same manner, nominee or legal heir also can close the account of the deceased depositor by applying in Form H [Paragraph 13].

EXAMPLE (vii): Mr. A is the owner of more than one residential houses. He transfers one of the residential house for a consideration of Rs. 8,00,000 on 1-2-1994 which he had purchased in April, 1981 for Rs. 2,00,000. Upto 1-6-1994 he spent Rs. 2,00,000 on the construction²⁸ of a new residential house which could not be completed before 30-6-1994 being the due date for filing return of income for the assessment year 1994-95 in his case. On 15-6-1994 he deposited Rs. 1,00,000 in a specified bank under the Capital Gains Accounts Scheme notified by the Central Government. The exemption under section 54 and computation of capital gains will be as under:

Long-term capital gains on sale of a residential house on 1-2-1994:

Sale proceeds of a residential house	Rs. 8,00,000	
Less: Cost of acquisition	Rs. 2,00,000	
Adjusted cost of acquisition:		
Rs. 2,00,000 (cost of acquisition) × 244 (being Cost Inflation Index of the financial year of sale i.e., 1993-94 ²⁹) ÷ 100 (being Cost Inflation Index of the financial year of acquisition i.e., 1981-82 ²⁸) i.e., Rs. 2,00,000 × 244 ÷ 100	Rs. 4,88,000	Rs. 3,12,000

Less: Exemption under section 54:

(1) Amount spent on construction upto 1-6-1994	Rs. 2,00,000	
(2) Amount deposited in specified bank under the scheme on 15-6-1994 ³⁰	Rs. 1,00,000	Rs. 3,00,000

Long-term capital gains chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 134]

Rs. 12,000

If, Mr. A had deposited Rs. 1,12,000 instead of Rs. 1,00,000, the long-term capital gains would have been nil as explained hereunder:

Long-term capital gains on sale of a residential house on 1-2-1994	Rs. 3,12,000	
Less: Exemption under section 54:		
(1) Amount spent on construction upto 1-6-1994	Rs. 2,00,000	
(2) Amount deposited in specified bank under the scheme on 15-6-1994 ³⁰	Rs. 1,12,000	Rs. 3,12,000
Long-term capital gains chargeable to income-tax		Rs. Nil

28. Refer footnote No. 15(a) on page 127.

29. Refer Notification No. S.O. 489(E), dt. 5-7-1993 on page 122.

30. The return of income for the assessment year 1994-95 shall be accompanied by the proof of such deposit.

7. Tax on long-term capital gains:

[Section 112]

Assessment year 1993-94 and onwards:

Upto assessment year 1992-93, long-term capital gain, as reduced by deductions u/s. 48(2) [Refer item 4(B) on page 124], are included in the gross total income and after allowing deduction under Chapter VIA, the taxable income is subjected to tax at the rates specified in the annual Finance Acts. Thereafter, tax rebates under Chapter VIII-A is allowed and tax payable is determined.

From assessment year 1993-94 and onwards, where the total (taxable) income includes long-term capital gains, income-tax will be levied on taxable income as reduced by long-term capital gains at the rates specified in the annual Finance Act. The long-term capital gain [and not short-term] will be subjected to flat rate of income-tax under newly inserted section 112. The flat rates of income-tax are:

(A) FOR ASSESSMENT YEARS 1993-94 & 1994-95:

S. No.	Status of the assessee	Flat rate of I.T. on long-term capital gains
1.	Individuals & HUFs	@ 20% ³¹
2.	Company	@ 40% ^{31/32}
3.	Other than 1 & 2 above i.e. firm, AOP/BOI, etc.	@ 30% ³¹

(B) FROM ASSESSMENT YEAR 1995-96 AND ONWARDS:

1.	Resident individuals & HUFs	@ 20%
2.	Domestic company	@ 30% ^{31/32}
3.	Resident other than (1) & (2) above i.e. firm, AOP/BOI, etc.	@ 30%
4.	Non-residents (not being a company) or a foreign company	@ 20%

In the case of individuals & Hindu undivided families where the taxable income as reduced by long-term capital gain, is below the basic exemption limit, the long-term capital gain will be reduced to the extent of the short fall and only the balance long-term capital gain will be subjected to the flat rate of income-tax [Refer example (ix) hereafter].

The deduction under Chapter VIA will be on gross total income as reduced by the long-term capital gain. In other words, such reduced gross total income will be deemed to be the gross total income of the assessee for the purposes of deductions under Chapter VIA [Section 112(2)].

The tax rebate u/s. 88 will be on total (taxable) income as reduced by long-term capital gain. In other words, tax rebate u/s. 88 will be allowed from income-tax computed on such reduced total (taxable) income [Section 112(3)].

EXAMPLE (viii): For assessment year 1994-95, gross total income of Mr. A is Rs. 1,40,000 which includes long-term capital gain of Rs. 50,000, short-term capital gain of Rs. 10,000 and interest from banks Rs. 11,000. Medical insurance premia paid is Rs. 5,000. He has invested Rs. 60,000 in specified savings which qualifies for rebate of (deduction from) income-tax u/s. 88. The computation of taxable income and tax thereon is as under:

Computation of taxable income:

Gross total income inclusive of capital gains	Rs. 1,40,000
Less: Long-term (and not short-term) capital gain [which is liable at special rate u/s. 112]	Rs. 50,000
Gross total income as reduced by long-term capital gain	Rs. 90,000
Less: Deductions under Chapter VIA:	
(a) Medical insurance premia paid Rs. 5,000:	
Deduction u/s. 80D: As the premia does not exceed Rs. 6,000, 100% of the premia paid Rs. 5,000	Rs. 5,000
(b) Interest from banks Rs. 11,000:	
Deduction u/s. 80L: Maximum deduction u/s. 80L(1) restricted to	Rs. 10,000
	Rs. 15,000
Taxable income (other than long-term capital gain)	(1) Rs. 75,000
Add: Long-term capital gain	(2) Rs. 50,000
Taxable income inclusive of long-term capital gain	(3) Rs. 1,25,000

31. For the purposes of surcharge on income-tax, income-tax payable u/s. 112 will be taken into account, if the total (taxable) income inclusive of long-term capital gain exceeds (a) for assessment years 1993-94 & 1994-95, Rs. 1,00,000, in the case of non-corporate resident assessee, and (b) for assessment year 1993-94 and onwards, Rs. 75,000, in the case of domestic companies.

32. Long-term capital gain arising to 'venture capital company' from the transfer of equity shares of 'venture capital undertakings' will be subjected to flat rate of I.T. @ 20% [Proviso to Section 112(1)(b)]. 'Venture capital company' and 'Venture capital undertakings' is defined under the Explanation to Section 112(1).

Computation of tax:

(A) Income-tax (and not S.C. on I.T.) chargeable on taxable income [other than long-term capital gain] Rs. 75,000 [Refer (1)]	Rs. 11,500		
Less: Rebate of (deduction from) income-tax (only) u/s. 88:			
Investment in specified savings Rs. 60,000:			
Deduction @ 20% of Rs. 60,000 u/s. 88(1) Rs. 12,000. Amount of deduction u/s. 88 restricted u/s. 87(2) to Rs. 11,500 being the amount of income-tax chargeable on Rs. 75,000 taxable income (other than long-term capital gain)	Rs. 11,500		
Income-tax on taxable income (other than long-term capital gain)	Rs. Nil	Rs.	Nil
(B) Income-tax @ flat rate of 20% on long-term capital gain Rs. 50,000 [Refer (2)] u/s. 112(1)(a)(ii)		Rs.	10,000
Income-tax payable		Rs.	10,000
Add: Surcharge @ 12% on income-tax Rs. 10,000 as taxable income inclusive of long-term capital gain exceeds Rs. 1,00,000 [Refer (3)]		Rs.	1,200
Income-tax and S.C. on I.T. payable on taxable income of Rs. 1,25,000		Rs.	11,200

Note: Deduction under Chapter VIA will be on gross total income as reduced by long-term capital gain [Section 112(2)]. The tax rebate u/s. 88 will be on taxable income as reduced by long-term capital gain [Section 112(3)].

EXAMPLE (ix): For assessment year 1994-95, total income of Mr. A is Rs. 35,000 which includes long-term capital gain of Rs. 15,000.

Total income [inclusive of long-term capital gain Rs. 15,000]	Rs. 35,000
Less: Long-term capital gain	Rs. 15,000
Total income as reduced by long-term capital gain	Rs. 20,000
Basic exemption limit for assessment year 1994-95	Rs. 30,000
Long-term capital gain	Rs. 15,000
Less: Short fall [Rs. 30,000 (basic exemption limit) less Rs. 20,000 (other income)]	Rs. 10,000
Long-term capital gain chargeable to income-tax [Vide proviso to section 112(1)(a)]	Rs. 5,000
Income-tax on long-term capital gain Rs. 5,000 @ 20%	Rs. 1,000

In this example, if the total income consisted only of long-term capital gain of Rs. 35,000, then also only Rs. 5,000 will be subjected to income-tax at the flat rate of 20%, after allowing basic exemption of Rs. 30,000.

MARKET QUOTATION OF GOLD, SILVER AND UNITS:

		FOR ASSESSMENT YEAR 1993-94 & ONWARDS Rate as on 1-4-1981	UPTO ASSESSMENT YEAR 1992-93 Rate as on 1-4-1974
Gold Standard 24 Carats ¹	..	Rs. 1,670.00 ² for 10 grams	Rs. 506.00 ² for 10 grams
Silver 9990 Touch ¹	..	Rs. 2,715.00 for 1 Kg.	Rs. 1,260.00 for 1 Kg.
Units of Unit Trust of India 1964	..	Rs. 12.10 for 1 unit	Rs. 10.75 for 1 unit
Unit Linked Insurance Plan	..	Rs. 11.25 for 1 unit	—

NOTES: 1. The quotation of equity shares—

- (a) as on 1-4-1981 in respect of assessment year 1993-94 and onwards is given on pp. 139-146 of this I.T.R.R.;
(b) as on 1-4-1974 in respect of assessment year 1992-93 and earlier years is given on pp. 326-331 of I.T.R.R. 1991-92 (53rd Year of Publication).

2. In cases where bonus shares or right shares are issued:

- (a) prior to 1-4-1981 or thereafter, refer examples given hereunder for computation of long-term capital gains in relation to assessment year 1993-94 and subsequent years;
(b) prior to 1-4-1974 or thereafter, for examples for computation of long-term capital gains upto assessment year 1992-93, refer pp. 126-128 of I.T.R.R. 1992-93 [54th Year of Publication].

Deemed Cost for the purposes of "Capital Gains"

Assessment year 1994-95:

Example

In respect of right of substitution of the fair market value as on 1-4-1981:

Under section 55(2), where the capital asset became the property of the assessee before the 1st day of April, 1981, the assessee has the option of substituting the fair market value as on the 1-4-1981, in place of the original cost for the purposes of "Capital gains".

EXAMPLE: It is assumed that Mr. A sold the following shares on 20th July, 1993.

Name of the Co.	Purchased on	Cost price	Market value as on 1-4-81	Sale price received on 20th July, 1993	Difference between cost price & sale price
A & Co. Ltd.	30-12-70	Rs. 30,000	Rs. 60,000	Rs. 1,50,000	Rs. 1,20,000
B & Co. Ltd.	12-11-72	Rs. 10,000	Rs. 20,000	Rs. 60,000	Rs. 50,000
C & Co. Ltd.	16-5-89	Rs. 17,200	Rs. 25,000	Rs. 30,000	Rs. 12,800
Total		Rs. 57,200		Rs. 2,40,000	Rs. 1,82,800

In the above example "Capital gains" is to be computed as under:

Name of the Co.	Sale Proceeds	Cost of Shares	Market value as on 1-4-1981	Indexed cost of acquisition	Long-term capital gains (1 less 4)
	1	2	3	4	5
A & Co. Ltd.	Rs. 1,50,000	—	Rs. 60,000 ³	Rs. 1,46,400 ⁴	Rs. 3,600
B & Co. Ltd.	Rs. 60,000	—	Rs. 20,000 ³	Rs. 48,800 ⁵	Rs. 11,200
C & Co. Ltd.	Rs. 30,000	Rs. 17,200 ⁶	—	Rs. 24,400 ⁷	Rs. 5,600
Total	Rs. 2,40,000			Rs. 2,19,600	Rs. 20,400

The long-term capital gains of Rs. 20,400 is chargeable to tax under section 112(1) [For details, refer item 7 on page 134].

Note:—It is assumed that none of the above companies has issued either bonus shares or right shares from 1-4-1981 to 20-7-1993.

1. Source: The Bombay Bullion Association Ltd.
2. The rate of standard gold as stated above is for 24 Carats. Since the gold ornaments are made of 22 Carats, % to be deducted in this respect is given on page 262.
3. Mr. A is entitled to take advantage of the appreciation in price as on 1st April, 1981 and claim the cost of acquisition at such appreciated value whereby the capital gains will be reduced as shown in respect of shares of A & Co. Limited and B & Co. Limited.
4. Indexed cost of acquisition is Rs. 1,46,400 [Rs. 60,000 (FMV) × 244⁸ (being Cost Inflation Index of the financial year of sale i.e., 1993-94) ÷ 100⁸ (being Cost Inflation Index of the financial year 1981-82)].
5. Indexed cost of acquisition is Rs. 48,800 [Rs. 20,000 (FMV) × 244⁸ (being Cost Inflation Index of the financial year of sale i.e., 1993-94) ÷ 100⁸ (being Cost Inflation Index of the financial year 1981-82)].
6. As the shares are purchased after 1-4-1981, Mr. A is not entitled to substitute the market value as on 1-4-1981.
7. Indexed cost of acquisition is Rs. 24,400 [Rs. 17,200 (cost of acquisition) × 244⁸ (being Cost Inflation Index of the financial year of sale i.e., 1993-94) ÷ 172⁸ (being Cost Inflation Index of the financial year of acquisition i.e., 1989-90)].
8. For notification on Cost Inflation Index, refer page 122.

BONUS SHARES

EXAMPLE (i): Mr. A's investment portfolio of shares of Messrs. B & Co. Ltd. is as under:

Date	No. of Shares	Rate per share	Total cost	Remarks	Average cost
30-6-1970	100	Rs. 300	Rs. 30,000	Actual purchase	Rs. 300
30-9-1978	50	—	—	Bonus in ratio of 1:2	
	150		Rs. 30,000		Rs. 200
1-12-1987	150	—	—	Bonus in ratio of 1:1	
Total ..	300		Rs. 30,000		Rs. 100

Mr. A sold these 300 shares on 30-6-1993 @ Rs. 425 per share.

Total sale price of 300 shares @ Rs. 425 per share	Rs. 1,27,500
Less: Cost price of 300 shares	Rs. 30,000
Profit on sale of 300 shares ..	Rs. 97,500

COMPUTATION OF LONG-TERM CAPITAL GAINS:

Sale proceeds of 300 shares @ Rs. 425 per share	Rs. 1,27,500
Less: Indexed cost of acquisition as computed hereafter	Rs. 1,15,900
Long-term capital gains	Rs. 11,600

The long-term capital gains of Rs. 11,600 is chargeable to tax u/s. 112(1) [For details, refer item 7 on page 134].

COMPUTATION OF INDEXED COST OF ACQUISITION:

1. Actual cost of 300 shares	Rs. 30,000
2. The average cost per share [Rs. 30,000 (cost) ÷ 300 (shares)]	Rs. 100
3. Fair market value (FMV) per share as on 1-4-1981	Rs. 250

Indexed cost of acquisition [Vide 2nd proviso to section 48]:

(a) 100 shares [Purchase lot (30-6-1970)]:

As the shares have been purchased prior to 1-4-1981, the average cost is to be substituted by the FMV as on 1-4-1981—

FMV as on 1-4-1981 of 100 shares @ Rs. 250 per share [Refer 3] Rs. 25,000

Indexed cost of acquisition Rs. 25,000 (FMV) × 244⁹ (being CII of the financial year of sale i.e., 1993-94) ÷ 100⁹ (being CII of the financial year 1981-82)]. Rs. 61,000

(b) 50 bonus shares [Bonus lot 30-9-1978]:

Since bonus shares have been allotted prior to 1-4-1981, the FMV of such bonus shares as on that date is required to be considered—

FMV as on 1-4-1981 of 50 bonus shares @ Rs. 250 per share [Refer 3] Rs. 12,500

Indexed cost of acquisition: Rs. 12,500 (FMV) × 244⁹ (being CII of the financial year of sale i.e., 1993-94) ÷ 100⁹ (being CII of the financial year 1981-82) Rs. 30,500

(c) 150 bonus shares [Bonus lot (1-12-1987)]:

Since bonus shares have been allotted after 1-4-1981, the Average cost of such bonus shares is required to be considered—

Average cost of 150 bonus shares @ Rs. 100 per share [Refer 2] Rs. 15,000

Indexed cost of acquisition: Rs. 15,000 (average cost) × 244⁹ (being CII of the financial year of sale i.e., 1993-94) ÷ 150⁹ (being CII of the financial year 1987-88) Rs. 24,400

Indexed cost of acquisition of 300 shares Rs. 1,15,900

9. For notification on Cost Inflation Index (CII), refer page 122.

EXAMPLE (ii): Mr. A sells shares of Messrs. A & Co. Ltd., details whereof are as under:

- (1) On 1-8-1977, purchased 400 shares @ Rs. 100 per share.
- (2) On 31-12-1980, allotted 600 bonus shares.
- (3) As on 1-4-1981, the fair market value of the share is Rs. 150 per share.
- (4) On 2-9-1993, sold 500 shares at the rate of Rs. 410 per share.

Sale proceeds of 500 shares @ Rs. 410 per share Rs. 2,05,000

Less:

Actual cost of 400 shares @ Rs. 100 per share Rs. 40,000

As the shares have been purchased before 1-4-1981, the cost is to be substituted by the fair market value as on 1-4-1981:

Fair market value as on 1-4-1981 of 400 shares @ Rs. 150 per share Rs. 60,000

Since bonus shares have been allotted prior to 1-4-1981, the fair market value of such bonus shares as on that date is required to be considered:

Bonus shares 600 × Rs. 150 per share fair market value Rs. 90,000

Fair market value of 1000 shares as on 1-4-1981 Rs. 1,50,000

The proportionate fair market value for 500 shares sold on 2-9-1993 Rs. 75,000

Indexed cost of acquisition [Vide 2nd proviso to section 48]:

Rs. 75,000 (FMV) × 244¹⁰ (being Cost Inflation Index of the financial year of sale i.e., 1993-94) ÷ 100¹⁰
(being Cost Inflation Index of the financial year 1981-82) Rs. 1,83,000

Long-term capital gains Rs. 22,000

The long-term capital gains of Rs. 22,000 is chargeable to tax u/s. 112(1) [For details, refer item 7 on page 134].

NOTE: The cost of bonus shares is to be determined by the process of averaging i.e. by spreading the substituted cost of the old shares over the old shares and the new bonus shares taken together as laid down by the Supreme Court in the case of C.I.T. vs. Dalmia Investment Co. Ltd. (52-ITR 567).

RIGHT SHARES^{10a}

EXAMPLE (iii):

- (1) Mr. A's investment portfolio of shares of Messrs. A & Co. Ltd. is as under:

Date	No. of shares	Cost per share	Total cost	Remarks
1-3-1978 ..	500	Rs. 200	Rs. 1,00,000	Actual purchase
1-2-1980 ..	500	Rs. 100	Rs. 50,000	Right @ 1:1
Total ..	1,000		<u>Rs. 1,50,000</u>	

(2) The average cost per share [Rs. 1,50,000 (cost) ÷ 1,000 (shares)] Rs. 150

(3) The fair market value of these shares as on 1-4-1981 is Rs. 250

(4) These 1,000 shares were sold on 1-9-1993 @ Rs. 650 per share Rs. 650

The long-term capital gains is to be computed as under:

Total sale price of 1,000 shares @ Rs. 650 per share [Refer (4)] Rs. 6,50,000

Less: Fair market value as on 1-4-1981 @ Rs. 250 per share [Refer (3)] instead of
average cost of Rs. 150 per share [Refer (2)] i.e. 1,000 shares × Rs. 250 per share Rs. 2,50,000

Indexed cost of acquisition [Vide 2nd proviso to section 48]:

Rs. 2,50,000 (FMV) × 244¹⁰ (being Cost Inflation Index of the financial year of sale i.e., 1993-94) ÷ 100¹⁰
(being Cost Inflation Index of the financial year 1981-82) Rs. 6,10,000

Long-term capital gains Rs. 40,000

The long-term capital gains of Rs. 40,000 is chargeable to tax u/s. 112(1) [For details, refer item 7 on page 134].

10. For notification on Cost Inflation Index, refer page 122.

10a. Refer footnote No. 3a on page 122.

Equity Shares
Quotation for the purposes of substituting fair market value in respect of computation of
"CAPITAL GAINS"
In relation to assessment year 1993-94 and onwards¹
QUOTATIONS AS ON
1st APRIL, 1981

Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.
10	A. K. Corpn.	C	16.87	10	Amitabh Mills	C	10.00	10	Aruna Sugar	M	9.00	10	Bajei Plastics	B	33.50
10	A. P. V. Engineering	C	12.57	10	Amucklee Invest.	C	5.00	10	Arunodaya Mills	A	30.00	10	Bajei Tempo	B	87.00
10	A. V. Thomas (A)	M	28.00	10	Annapali Films	C	3.08	10	Arunodaya Mills	B	13.75	10	Bajrang Finance	C	4.25
10	A. V. Thomas (India)	M	15.00	10	Amrit Banaspati	C	19.25	100	Arvind Mills	A	389.00	10	Balaji Investment	C	3.81
10	ABS Plastics	A	9.25	10	Amrit-Villa Inv.	C	3.60	10	Aryasthan Corpn.	C	2.10	10	Balanor Tea	Bg.	24.00
10	ABS Plastics	B	9.25	1000	Amritsar Sugar	D	280.00	200	Aryodaya Ginning	A	360.00	10	Balanor Tea	M	29.00
10	Abrasives & Castings	B	3.00	200	Amruta Textile	A	572.50	200	Aryodaya Spinning	A	312.50	10	Balesubramanian Mills	M	6.77
10	Accout Mktg.	C	2.31	10	Anand Electric	M	39.00	10	Asees Ltd.	B	33.50	100	Balkrishna Paper	A	500.00
10	Ace Trading	B	10.00	50	Anand Bag Tea	C	20.50	100	Asher Textile Mills	M	100.00	100	Balkrishna Paper	B	500.00
100	Adarsh Chemicals	B	240.00	10	Anand Electric	B	45.00	10	Ashish Inv.	C	5.00	100	Balkrishna Paper	D	350.00
10	Adarsh Comm.	C	10.06	10	Anandam Tea	M	13.35	5	Ashok Leyland	B	22.50	10	Ballerup Ind.	B	52.50
10	Aditya Mills	B	16.00	2	Anapara Coffee	M	13.25	5	Ashok Leyland	M	22.00	10	Ballerup Ind.	C	52.00
10	Aditya Mills	C	12.87	10	Andaman Timber	C	16.94	10	Ashoka Cement	C	1.50	10	Ballerup Ind.	D	52.00
10	Aditya Inv.	C	2.75	100	Andhra Bank	H	300.00	100	Ashoka Cement	A	185.00	10	Bally Jute	C	11.31
10	Aegis Chemicals	A	21.00	100	Andhra Bank	M	290.00	100	Ashoka Marketing	D	101.00	100	Balmer Lawrie	C	157.00
10	Aegis Chemicals	B	21.25	10	Andhra Cement	B	14.00	100	Ashoka Mills	D	10.25	10	Balrampur Chini	C	7.00
10	Aegis Chemicals	D	18.00	10	Andhra Cement	Bg.	11.07	100	Ashoka Mills	C	1.69	10	Balrampur Sugar	C	2.80
100	Aifsons Ind. Corpn.	B	100.00	10	Andhra Cement	H	14.75	10	Asia Automotive	B	14.50	10	Balsara Hygiene	B	10.00
10	Ajapara Jute	C	8.37	10	Andhra Cement	M	10.50	10	Asia Automotive	D	13.50	10	Banharhat Tea	C	137.00
10	Ajapara Steel	B	2.00	100	Andhra Cotton Mills	H	7.00	100	Asian Cables	B	33.00	10	Bangalore Inv.	C	1.75
10	Agarwal Steel	C	6.00	100	Andhra Cotton Mills	M	100.00	100	Asian Electronics	B	90.00	10	Bangalore Fort Farms	Bg.	6.25
10	Agro Cargo	M	8.00	10	Andhra Farm Chem.	H	10.00	100	Asiatic Oxygen	C	11.62	10	Bangalore Printing	Bg.	4.75
10	Agro Extracts	Bg.	9.00	10	Andhra Foundry	M	2.40	100	Asiatic Oxygen	C	1.69	10	Bangalore Printing	M	5.10
100	Ahmedabad Advance	B	255.00	100	Andhra Mechanical	H	100.00	10	Asiatic Oxygen	M	10.15	10	Bangalore Rolling	Bg.	10.80
250	Ahmedabad Cotton	A	232.50	100	Andhra Pradesh Carbides	H	10.00	10	Asiatic Oxygen	C	1.69	10	Bank of Madras	M	8.75
100	Ahmedabad Elec.	A	74.00	100	Andhra Pradesh Paper	B	207.50	10	Asiatic Oxygen	M	6.13	100	Bankura Damodar Rly.	C	14.50
100	Ahmedabad Elec.	B	73.00	100	Andhra Pradesh Paper	H	322.50	10	Asiatic Oxygen	C	7.50	10	Banswara Syntax	D	20.00
125	Ahmedabad Victoria Iron	A	220.00	10	Andhra Pradesh Rayons	B	17.50	10	Assam Brook Tea	C	12.37	10	Barcoe Coils Co.	C	0.50
100	Ahmedpur Katwa Rlys.	C	13.00	10	Andhra Pradesh Rayons	C	17.31	10	Assam Carbon	C	19.87	10	Barcoe Coils Co.	C	3.00
100	Ahura Welding	M	100.00	10	Andhra Pradesh Rayons	D	16.75	10	Assam Co. India (Tea)	C	20.00	10	Barcoe Coils Co.	C	8.08
100	Air Control	A	77.00	10	Andhra Pradesh Rayons	H	17.15	10	Assam Co. India (Tea)	C	20.87	100	Baricity Holding	B	61.00
100	Air Control	B	55.00	10	Andhra Pradesh Scooters	H	10.00	10	Assam Frontier	B	15.00	10	Barman Chemicals	C	65.00
100	Air Reduction Co.	D	8.00	10	Andhra Pradesh Tanneries	H	10.00	10	Assam Frontier	C	14.85	10	Barman Jute	A	71.00
10	Ajanta Textile	C	7.06	100	Andhra Printers	M	35.75	10	Assam Frontier	C	0.81	100	Baroda Elec. Meters	A	70.00
10	Ajanta Textile	D	8.50	100	Andhra Steel	Bg.	19.00	10	Assam Frontier	C	1.62	100	Baroda Rayon	A	195.00
10	Ajanta Tubes	D	18.75	10	Andhra Steel	C	7.75	100	Associated Bearings	B	352.50	100	Baroda Rayon	D	206.50
10	Ajay Inv.	C	10.06	10	Andhra Steel	H	10.00	100	Associated Cement	B	138.00	100	Basant Paper	C	8.25
100	Ajay Paper	C	13.00	10	Andhra Sugar	M	33.75	10	Associated Gen. Tdg.	C	5.19	10	Basant Mills	C	12.80
100	Ajit Mills	A	227.50	100	Andhra Valley Power	B	106.00	10	Associated Glass	H	3.00	10	Basmati Tea	C	28.25
100	Akdamamba Mill	M	8.25	10	Andrew Yule	C	5.00	100	Associated Pulp	A	92.00	10	Basmati Tea	C	28.25
2	Alageswar Tea	M	4.75	10	Angelo Bros.	C	5.00	100	Associated Rubber	B	144.00	10	Bassini Electric	B	9.50
50	Albright Morarij	D	85.00	10	Anglo American Marine	B	1.00	100	Associated Stone	B	9.75	100	Bast Sugar	C	90.50
100	Almobic Chemical	B	70.00	100	Anglo American Marine	C	4.00	10	Atlas Tea	C	4.00	100	Bast Sugar 'A'	D	95.00
100	Almobic Glass	A	90.00	100	Anglo French Textile	M	218.00	10	Atlas & Union Jute	D	10.00	100	Bast Sugar 'B'	D	3.00
100	Almobic Glass	B	82.00	100	Anglo India Jute	C	255.00	10	Atlas Copco	B	40.00	10	Bata India	C	18.00
100	Almobic Glass	Bg.	90.00	100	Anil Hardboards	B	140.00	10	Atlas Cycle	B	24.50	10	Bata India	C	18.20
100	Alfred Herbert	B	14.00	100	Anil Inv.	D	4.50	10	Atlas Cycle	D	23.75	10	Bateli Tea	C	17.50
100	Alfred Herbert	C	15.81	100	Anil Starch	A	180.00	2	Atikhan Coffee	Bg.	3.25	100	Bayer India	B	255.00
100	Alfred Herbert	D	17.00	100	Anil Steel	B	13.00	10	Atikhan Coffee	M	3.80	5	Be Be Rubber	M	7.25
10	Alipurduar Tea	C	10.06	10	Anil Steel	D	6.00	100	Atul Products	A	299.00	10	Beco Engineering	B	24.25
10	Allox Abrasives	D	5.75	10	Anil Steel	C	4.85	100	Auckland Int.	C	6.25	10	Beco Engineering	D	16.25
10	Alkali & Chemical	B	24.50	10	Ankur Agencies	B	10.00	100	Auckland Int.	C	85.00	10	Behar Foundry	C	2.25
10	Alkali & Chemical	C	24.50	10	Anmol Trading	B	10.00	10	Aurangabad Paper	A	4.00	10	Behar Foundry	D	2.00
10	Alkyl Amines	B	13.75	10	Annapurna Paper	Bg.	10.00	10	Aurangabad Paper	B	4.00	25	Behar Foundry	C	17.00
100	Alliance Jute	C	105.00	10	Annapurna Paper	C	2.75	10	Autofin Ltd.	H	45.00	50	Belapur Sugar	B	31.00
10	Alliance Property	D	8.00	10	Anniversary Inv.	C	6.81	10	Automobile Product	B	14.50	10	Belgachi Tea	C	17.00
10	Allied International	B	10.25	10	Antifiction Bearings	B	44.00	10	Avanti Leathers	H	10.00	10	Belgachi Tea	C	10.25
10	Allied Steel	B	3.50	10	Arush Pharma	B	2.00	10	Avery India	C	32.15	10	Bengal Paper	C	9.00
10	Allied Steel	C	3.00	100	Anup Engineering	A	265.00	10	Awanti Fibres	C	2.06	10	Bengal Paper	C	4.58
10	Aluminium Corpn.	C	1.72	10	Anuradha Inv.	C	5.06	10	B. A. Bros.	C	3.94	100	Bengal Assam Steamship	C	75.00
10	Aluminium Corpn.	D	5.50	10	Apex Holding	C	3.00	10	B. B. Investment	C	2.58	10	Bengal Bhatdee Coal	C	0.60
10	Aluminium Ind.	B	20.50	10	Apollo Tubes	B	16.00	10	B. D. Steel Castings	B	22.50	100	Bengal Chemical	C	36.00
10	Aluminium Ind.	M	20.00	10	Apollo Tubes	D	15.25	100	B. P. Investment	C	10.02	10	Bengal Flour	C	14.00
10	Alwar Inv.	C	2.81	10	Apollo Tubes	M	9.45	100	B. R. Cotton	B	12.00	10	Bengal Ingot	C	5.08
10	Amalgamated Coal	C	1.52	10	Apollo Tubes	B	9.00	10	BASF Limited	B	58.00	10	Bengal Jute	C	4.87
100	Amalgamated Dev.	C	41.00	10	Apollo Tyres	B	9.00	5	Bababudin Coffee	M	5.50	10	Bengal Nagpur Coal	C	0.90
100	Amalgamated Elec.	B	8.25	10	Apollo Tyres	D	9.00	10	Bababudin Coffee	Bg.	8.75	10	Bengal National Text.	C	7.87
100	Amalgamated Repco	M	15.15	10	Aradhana Inv.	C	2.00	10	Badra Coffee	M	7.86	10	Bengal Paper	D	12.00
100	Amar Dye-Chem.	A	185.00	10	Arbor Acres Farm	B	8.00	10	Bagal Kot Udyog	B	6.50	2 1/2	Bengal Poteries	D	1.88
100	Amar Dye-Chem.	B	187.50	100	Arbuda Mills	A	460.00	10	Bagal Kot Udyog	D	13.15	10	Bengal Timber	C	3.75
100	Amar Inv.	C	3.25	10	Aroutipore Tea	C	10.12	10	Bagal Kot Udyog	C	3.81	10	Bengal Tools	C	2.00
125	Amarinji Mills	A	30.00	10	Arjun Inv.	C	2.50	10	Bagmati Tea	C	15.12	10	Best & Crompton	B	38.50
100	Amesul Textile	D	2.50	10	Arjun Inv.	D	7.50	10	Bagmati Tea	C	2.09	10	Best & Crompton	M	37.75
100	Amica Mills	A	227.00	100	Arabs	B	78.00	10	Baid Textile	C	3.08	10	Bestoball India	C	13.50
10	Amica Shipping	C	5.08	10	Artem Breweries	B	15.00	10	Baltakhal Tea	C	3.31	10	Bhadrachalam Paper	B	19.00
100	Amika Silk Mills	B	90.00	10	Art Line Investment	D	8.50	100	Bajaj Auto	B	1550.00	10	Bhadrachalam Paper	C	18.50
10	American Refri.	C	7.25	10	Artos Breweries	H	10.00	100	Bajaj Electricals	B	162.50	10	Bhadrachalam Paper	H	18.50
10	Amines & Plasticizer	B	17.50	100	Aruna Mills	A	197.00	100	Bajaj Electricals (Defd.)	D	160.00	10	Bhagalpore Elec.	C	5.80
10	Amines & Plasticizer	C	29.00												

¹ Equity Share Quotation for the purposes of substituting fair market value in respect of computation of "Capital Gains" as on 1-4-1974, in relation to assessment years 1967-68 to 1992-93, refer pp. 326-331 of I.T.R. 1991-92 (53rd Year of Publication).

EQUITY SHARES QUOTATIONS AS ON 1-4-1981 IN RELATION TO ASSESSMENT YEAR 1993-94 AND ONWARDS² — (Contd.)

Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.
100	Bhagavathi Textile	M	100.00	5	Bombay Swadeshi Stores	B	3.00	100	Century Spg. Mills	A	699.00
10	Bhagwati Oxygen	B	1.50	10	Bombay Tyres	B	10.00	100	Century Spg. Mills	B	705.00
10	Bhagwati Oxygen	D	2.00	10	Bombay Wire Ropes	B	6.50	100	Century Spg. Mills	D	677.00
10	Bhagwati Oxygen	C	7.75	100	Bond Co.	D	127.50	100	Century Spg. Mills	D	699.00
10	Bhagwati Vansapati	C	6.00	10	Boots Pure Drug	B	26.00	100	Century Tube	M	3.00
10	Bhagvodaya Inv.	B	2.00	50	Borax Morarji	B	142.50	10	Challapalli Sugar	C	5.25
100	Bhalakia Mills	A	153.75	10	Borahman Tea	C	10.75	10	Chamong Tea	Bg.	10.25
10	Bharat Alums	D	18.00	10	Borsait Glass	C	0.37	10	Champakial Inv.	C	9.50
10	Bharat Alums	D	20.25	10	Borra Coal	C	18.00	10	Champaran Sugar	C	13.25
100	Bharat Billee	B	260.00	10	Bowreah Cotton	B	2.00	10	Chandpary Jute	C	4.00
10	Bharat Carbon	D	1.50	50	Bradbury Mills	B	57.50	10	Chankya Inv.	C	6.25
10	Bharat Carpets	D	10.50	100	Brady & Morris	D	3.50	100	Chaparmukh Rly.	C	12.00
10	Bharat Commerce	B	41.00	10	Bright Investors	B	2.50	10	Chase Bright Steel	C	10.00
10	Bharat Commerce	D	40.25	10	Bright Wires	C	0.75	2	Chembra Peak Tea	M	2.58
10	Bharat Commerce	D	39.50	10	Bright Wires	Bg.	10.00	10	Chemical & Fibres	B	25.00
100	Bharat Fertilizer	B	120.00	10	Brindavan Alloys	B	20.50	10	Chemical & Fibres	M	230.00
10	Bharat Forge	B	52.50	10	Britannia Ind.	A	12.25	100	Chemical & Plastics	B	75.00
10	Bharat Gears	D	45.00	10	Britannia Ind.	C	12.75	10	Chemicorp	B	10.00
10	Bharat Gears	D	44.50	10	Britelite Carbon	B	24.00	25	Chemo-Pharma	B	27.00
1	Bharat Line	B	0.75	10	Britelite Carbon	C	23.25	10	Chernopolp Tissues	C	6.00
10	Bharat Nidhi	C	2.12	10	British Paints	C	5.40	10	Chernopolp Tissues	C	4.94
10	Bharat Nidhi	D	2.37	10	Brooke Bond India	M	2.00	10	Chernopolp Tissues	D	6.56
2 1/2	Bharat Nidhi	D	0.30	10	Brooke Bond India	C	3.37	10	Chettinad Cement	M	5.75
10	Bharat Rubber	C	11.37	10	Brownia Inv.	A	20.50	3	Cheviot Jute	C	5.00
10	Bharat Starch	C	10.25	10	Brunton Eng.	C	20.50	10	Chher-Chhatak Rope	C	2.06
10	Bharat Steel Tube	B	18.00	100	Burdwan Cutwa Rly.	C	1.00	10	Chinar Indl. Inv.	D	10.00
10	Bharat Steel Tube	D	16.87	7 1/2	Burma Mines	C	0.90	10	Chitavalah Jute	C	83.00
100	Bharat Suryodaya Mills	A	175.00	10	Burrat Coal	C	16.00	10	Chloride India	C	39.50
10	Bharat Westalia	C	7.50	10	C. W. S. (India)	Bg.	19.00	10	Chotamandal Inv.	M	10.50
100	Bharatia Co.	C	37.60	10	C. W. S. (India)	M	17.00	10	Chowgule Matrix	C	2.50
10	Bharatia Commercial	C	3.50	100	CTR Mfg.	B	105.00	10	Chowgule Steamship	B	26.00
10	Bharatia Elec. Steel	C	10.00	10	Cadbury	C	12.40	10	Chowgule Steamship	D	25.50
10	Bharatia Sons	C	3.25	10	Calcutta Burlop	C	15.00	10	Chore Inv.	A	15.50
10	Bharech Inv.	C	8.05	10	Calcutta Chemical	C	7.00	10	Churgia Bio-Chem.	C	7.87
10	Bhaskar Indl. Dev.	C	5.19	10	Calcutta Cr. Corpn.	C	11.80	10	City Holding	C	7.87
10	Bhaskar Textile	C	1.75	10	Calcutta Electric	C	1.15	10	Cleveland Inv.	C	2.00
10	Bhatkows Tea	C	13.56	100	Calcutta Gas	C	50.00	10	Clive Row Inv.	C	7.87
10	Bhavani Tea & Produce	Bg.	15.50	100	Calcutta Jute	C	5.00	10	Coastal Paper	H	10.00
10	Bhavani Textile	M	7.69	100	Calcutta Landing	C	24.00	10	Coates	B	19.50
10	Bhavi Inv.	B	6.00	10	Calcutta Sec. Printers	C	8.20	10	Coates	C	18.00
10	Bhilai Wires	B	13.25	10	Calcutta Silk Mfg.	C	7.60	10	Coates	D	19.50
10	Bhilwara Synthetics	C	7.75	10	Calcutta Steel	C	6.56	3	Cochin Malabar	B	5.95
10	Bhilwara Synthetics	D	5.00	100	Caledonian Jute	C	110.00	10	Cochin Malabar	M	16.75
10	Bhopal Sugar	B	50.00	125	Calico Mills	A	254.00	2	Cochin Plantation	Bg.	10.10
10	Bhoruka Finance	B	8.00	100	Calmac Commercial	C	90.00	100	Cochin Refinery	B	220.00
10	Bhoruka Steel	B	68.00	100	Cambaray Inv.	C	100.00	10	Coffee Lands	Bg.	26.50
10	Bhoruka Steel	Bg.	72.25	100	Camperdown Pressing	C	225.00	10	Coffee Lands	M	30.50
10	Bhushan Comm'l.	D	1.12	100	Camphor & Allied	D	225.00	100	Coimbatore Kamla Mills	M	77.50
10	Biseco Lawrie	C	1.00	10	Canara Land Inv.	Bg.	7.82	50	Coimbatore Kamla Mills	M	37.75
10	Bigoon Inv.	C	2.00	10	Canara Steel	Bg.	15.00	100	Coimbatore Pio Fert.	M	100.00
10	Bihar Alloy Steels	B	16.00	100	Canara Workshop	M	12.70	100	Coimbatore Pioneer Text.	M	140.00
10	Bihar Alloy Steels	C	16.12	100	Caprihans	B	18.75	10	Colgate Palmolive	B	148.50
10	Bihar Alloy Steels	D	16.50	100	Caprihans	D	17.50	100	Colour Chem.	B	225.00
200	Bihari Mills	A	425.00	10	Carbon Corp.	B	26.50	10	Comet-Filaments	D	10.50
10	Biharji Finance	C	1.81	10	Carbonate India	C	8.00	10	Cominco Binani Zinc	C	8.00
10	Biharji Finance	C	3.50	10	Carbondum	M	392.00	10	Cominco Binani Zinc	M	5.58
10	Biharji Int.	C	1.81	10	Carew & Co.	C	20.52	10	Commerce (1935)	B	3.24
10	Bijni Doors	C	9.37	100	Carona Sahu	B	151.25	250	Commercial Ahmedabad Mills	A	307.50
10	Bilaspur Spg.	B	6.00	10	Cawnpore Sugar	C	13.37	10	Concast Products	C	7.50
10	Bilaspur Spg.	C	4.94	5	Cawnpore Textile	C	6.44	10	Consolidated Coffee	Bg.	35.00
10	Bilaspur Spg.	D	6.50	100	Ceat Tyres	B	190.00	10	Consolidated Coffee	M	31.00
10	Bimetal Bearings	B	45.50	100	Cede Investment	C	5.00	10	Consolidated Equipment	C	3.37
10	Bimetal Bearings	M	45.00	10	Cede Investment	D	10.00	10	Consolidated Steel	D	3.37
10	Binani Metal	C	2.25	10	Ceskey Auto	B	11.25	10	Connor Tea	M	26.00
100	Binny Ltd.	Bg.	27.50	100	Cellulose Products	A	240.00	100	Cooper Eng.	B	23.00
100	Binny Ltd.	M	32.00	100	Cement Distributors	C	2.58	2	Coorg Tea	Bg.	5.00
10	Binod Jute & Fibre	C	7.12	10	Cement Distributors	D	4.75	2	Coorg Tea	M	5.60
100	Binod Mills	Mp.	16.00	10	Cemindia	B	24.50	10	Corn Products	B	14.00
100	Birds Jute & Exports	C	4.50	10	Cemindia	C	16.25	10	Coromandel Agro	H	10.00
10	Birla Cotton	C	14.00	10	Central India Indus.	D	31.00	10	Coromandel Indus.	M	12.25
10	Birla Cotton	D	16.00	10	Central India Indus.	Mp.	23.50	10	Coromandel Fertilizers	B	22.25
10	Birla Jute	C	31.10	10	Central India Machinery	B	32.00	10	Coromandel Fertilizers	D	21.00
10	Bishnauth Tea	C	19.62	10	Central India Machinery	C	33.00	10	Coromandel Fertilizers	H	22.00
10	Bisra Stone Lime	C	5.25	10	Central India Machinery	D	15.75	10	Coromandel Fertilizers	M	21.00
10	Bloomfield Tea	C	5.87	10	Central India Spg.	Mp.	10.00	50	Corporation Bank	Bg.	75.00
10	Blow Plast	B	60.00	50	Central India Spg.	B	87.00	10	Corporation Bank	M	79.00
10	Blue Clips Inv.	C	2.65	100	Central Kurband Coal	C	1.00	10	Cosmo Films	B	10.75
10	Blue Horizon Inv.	C	10.00	100	Central Kurvend Coal	B	23.50	10	Cosmo Films	D	10.75
10	Blue Star Ind.	B	26.00	5	Central Scientific	M	5.30	10	Cottaned Rubber	M	9.50
10	Boehring-Knoll	B	23.00	10	Centron Indl. Alliance	A	4.78	10	Covelong Hotel	M	10.00
25	Bombay Burma	B	52.50	100	Centron Indl. Alliance	B	4.78	2	Cowcoody Coffee	M	8.50
20	Bombay Cycle	B	20.00	100	Century Enka	B	831.50	10	Crescent Dyes	B	19.50
25	Bombay Dyeing	B	90.00	100	Century Enka	D	570.00				
100	Bombay Oxygen	B	130.00								
10	Bombay Paints	B	13.25								
100	Bombay Potteries	B	92.50								
50	Bombay Silk Mills	B	50.00								
100	Bombay Sub. Elec.	B	109.00								
100	Crompton Dyes	C	19.50	100	Crompton Grooves	B	375.00	100	Crompton Grooves	C	227.00
100	Crompton Grooves	D	372.50	100	Crompton Grooves	M	342.00	100	Crompton Grooves	C	8.35
100	Crompton Grooves	C	14.50	100	Cryogenics India	C	12.50	100	Curewel	B	37.00
100	Curewel	B	37.00	100	Cyanamid (India)	A	38.00	100	Cyanamid (India)	B	37.00
100	D. B. R. Mills	H	35.00	100	D. L. Miller Jute	C	5.00	100	D. B. R. Mills	C	5.00
100	D. L. Miller Jute	C	40.84	25	DCM	B	7.00	100	DLF Universal	D	16.25
100	DCM	B	7.00	100	DLF Universal	D	16.25	100	DSP Financial	B	6.25
100	DLF Universal	D	16.25	100	DSP Financial	B	6.25	100	Dabriwala Steel	C	1.45
100	DSP Financial	B	6.25	100	Dabriwala Steel	C	1.45	100	Dalal Street	B	5.25
100	Dabriwala Steel	C	1.45	100	Dalal Street	B	5.25	100	Dalhousie Jute	C	125.00
100	Dalal Street	B	5.25	100	Dalhousie Jute	C	125.00	100	Dalmia Cement	B	16.00
100	Dalhousie Jute	C	125.00	100	Dalmia Cement	B	16.00	100	Dalmia Cement	C	16.50
100	Dalmia Cement	B	16.00	100	Dalmia Cement	D	16.50	100	Dalmia Cement	M	17.75
100	Dalmia Cement	C	16.50	100	Dalmia Cement	C	14.87	100	Dalmia Dairy Ind.	D	16.00
100	Dalmia Cement	M	17.75	100	Dalmia Dairy Ind.	D	16.00	100	Damodar Carriers	B	3.00
100	Dalmia Dairy Ind.	D	16.00	100	Damodar Carriers	B	3.00	100	Damodar Enterprise	C	25.50
100	Damodar Carriers	B	3.00	100	Damodar Enterprise	C	25.50	100	Darjeeling Doars Tea	C	6.00
100	Damodar Enterprise	C	25.50	100	Darjeeling Doars Tea	C	6.00	100	Darjeeling Plantations	B	16.25
100	Darjeeling Doars Tea	C	6.00	100	Darjeeling Plantations	B	16.25	100	Darjeeling Plantations	C	15.75
100	Darjeeling Plantations	B	16.25	100	Darjeeling Plantations	C	15.75	100	Darjeeling Ropeway	C	1.25
100	Darjeeling Plantations	C	15.75	100	Darjeeling Ropeway	C	1.25	100	Davangers Sugar	Bg.	6.00
100	Darjeeling Ropeway	C	1.25	100	Davangers Sugar	Bg.	6.00	100	Davangers Tea Mill	Bg.	168.00
100	Davangers Sugar	Bg.	6.00	100	Davangers Tea Mill	Bg.	168.00	100	Davy Ashmore	B	25.00
100	Davangers Tea Mill	Bg.	168.00	100	Davy Ashmore	B	25.00	100	Davy Ashmore	C	27.12
100	Davy Ashmore	B	25.00	100	Davy Ashmore	C	27.12	100	Dawn Mills	B	73.00
100	Davy Ashmore	27.12	100	Dawn Mills	B	73.00	100	Deccan Fibre Glass	C	11.75	
100	Dawn Mills	B	73.00	100	Deccan Fibre Glass	C	11.75	100	Deccan Fibre Glass	C	12.44
100	Deccan Fibre Glass	C	11.75	100	Deccan Fibre Glass	C	12.44	100	Deccan Fibre Glass	H	12.00
100	Deccan Fibre Glass	C	12.44	100	Deccan Fibre Glass	H	12.00	100	Deccan Inv.	B	6.00
100	Deccan Fibre Glass	H	12.00	100	Deccan Inv.	B	6.00	100	Deccan Polymers	H	8.10
100	Deccan Inv.	B	6.00	100	Deccan Polymers	H	8.10	100	Deccan Sugar	M	8.50
100	Deccan Polymers	H	8.10	100	Deccan Sugar	M	8.50	100	Deepak Nitrite	B	32.50
100	Deccan Sugar	M	8.50	100	Deepak Nitrite	B	32.50	100	Deepak Nitrite	C	4.25
100	Deepak Nitrite	B	32.50	100	Deepak Nitrite	C	4.25	100	Deepak Ins.Cables	B	19.75
100	Deepak Nitrite	C	4								

EQUITY SHARES QUOTATIONS AS ON 1-4-1981 IN RELATION TO ASSESSMENT YEAR 1993-94 AND ONWARDS³ — (Contd.)

Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.
10	Digital Electronics	B	8.50	10	Excel Industries	B	38.50	10	Goetze	B	24.25	10	Haryana Breweries	B	5.25
10	Dimakusi Tea	C	21.75	10	Excel Industries	D	36.75	10	Goetze	Bg.	23.75	10	Haryana Breweries	D	5.87
10	Dipchand Dev.	C	2.00	10	Exhibitors Syndicate	C	4.05	10	Goetze	D	22.75	10	Haryana Coated	D	7.00
10	Dischgarh Power	C	6.87	10	F.A.C.T.	M	6.40	100	Gokak Mills	B	231.00	10	Haryana Concast	B	4.00
10	Dolphin Hotels	H	10.00	10	Feb Leather	C	7.00	2	Gokul Rubber	M	6.15	10	Haryana Detergent	D	9.00
10	Doom Dooms Tea	C	18.00	100	Facit (Asia)	C	120.00	10	Golconda Inv.	H	8.00	10	Haryana Elec. St.	D	4.00
10	Ductron Castings	H	10.00	10	Facit (Asia)	M	22.00	10	Gold Mohur Mills	B	98.00	10	Haryana Oxygen	D	2.00
10	Dumraon Textile	C	5.60	10	Falcon Tyres	B	16.00	10	Gold Rock	A	5.50	10	Haryana Sheet Glass	D	5.00
10	Dunbar Mills	C	10.25	10	Falcon Tyres	Bg.	16.50	10	Golden Tobacco	B	14.25	10	Haryana St. & Alloys	B	1.00
100	Duncan Agro	C	165.00	10	Falcon Tyres	D	14.00	10	Golden Tobacco	C	14.37	10	Haryana St. & Alloys	C	7.50
100	Duncan Bros.	C	101.00	10	Falcon Tyres	M	14.50	10	Golden Tobacco	D	13.00	10	Haryana St. & Alloys	D	15.00
10	Dunlop India	C	20.00	10	Far Seen Trading	C	3.40	10	Golden Tobacco	M	12.75	10	Hasimara Industries	C	6.00
10	Duphar	C	22.00	100	Faridebad Inv.	C	98.00	10	Golden Tobacco	B	10.75	100	Hastings Jute	C	102.00
10	Durrang Steels	C	1.50	10	Faridebad Paper	C	4.69	10	Gontermann-Peiper	C	14.75	10	Hattikhira Tea	C	7.50
10	Durrang Steels	D	7.00	100	Ferro Alloys	H	100.00	10	Gontermann-Peiper	C	14.75	10	Hein Lahmann	C	4.30
10	Dynamatic Hydraulics	Bg.	40.00	100	Ferro Alloys	C	7.70	10	Goodlass Nerolac	B	45.50	100	Hemakuta Ind.	B	5.00
10	Dynamatic Hydraulics	Bg.	40.00	100	Ferro Coatings & Colours	B	18.25	10	Goodricka Group	B	14.00	100	Hemalatha Mills	M	1.00
10	E. I. D. Parry	B	12.00	10	Fibreglass Pilkington	B	18.25	10	Goodricka Group	C	15.00	10	Hercules Holst	B	19.00
10	E. I. D. Parry	M	12.00	10	Ficom Organic	A	12.00	10	Goodricka Group	D	15.87	10	Herdilla Chemicals	B	30.50
10	E. L. Forge	M	24.65	10	Ficom Organic	B	16.00	10	Goodwill (India)	D	13.00	10	Hicks Thermometer	D	12.50
10	East Anglia Plastic	C	7.69	100	Finlay Mills	B	120.00	10	Goodyear (India)	C	16.12	10	Hico Products	B	39.00
10	East Coast Boat	H	10.00	100	Firth India	B	16.00	10	Goodyear India	D	17.00	10	Highland Produce	B	18.75
10	East End Paper	C	6.62	10	Food Specialities	B	33.00	10	Gopichand Textile	C	16.50	10	Highland Produce	M	11.30
10	East India Hotel	C	24.52	10	Food Specialities	D	33.00	10	Gordon Woodroffe	B	26.50	10	Himalaya Co.	C	2.15
10	East India Hotel	D	23.25	100	Foods & Inns.	C	340.00	10	Gordon Woodroffe	M	27.75	10	Himalaya Rubber	C	9.00
10	East Indian Produce	C	6.06	100	Fort Gloster Ind.	C	2.50	10	Gourangdi Coal	C	2.50	10	Himani Ltd.	C	4.25
10	East West Hotel	B	13.00	10	Fort Rock Investment	C	2.50	10	Gourepore Jute	C	6.06	10	Hindoot Investment	C	3.20
10	East West Hotel	Bg.	8.50	10	Fort William Jute	C	11.50	10	Govind Sugar	C	10.25	10	Hind Rectifiers	B	28.00
10	Eastern Cachar Tea	C	11.19	5	Frank Ross & Co.	C	2.00	10	Graham Firth	B	38.00	10	Hindustan Aluminium	B	48.00
10	Eastern General Indl.	C	3.81	10	Fraser & Co.	C	2.50	10	Gramophone Co.	C	33.12	10	Hindustan Aluminium	C	48.25
10	Eastern Holdings	C	2.00	20	French Motor Car	C	6.00	10	Graphite India	C	37.00	10	Hindustan Aluminium	D	48.25
10	Eastern Int. Hotel	B	9.00	10	Frick India	B	19.50	10	Graphite India	C	38.50	10	Hindustan Brew.	B	4.50
10	Eastern Investment	C	1.50	10	Frick India	D	17.25	10	Grauer & Weil	B	11.00	10	Hindustan Brew.	D	9.25
10	Eastern Silk Ind.	C	8.00	100	Fuel Injections	B	85.00	10	Grauer & Weil	D	10.75	100	Hindustan Brown Boveri	A	307.50
10	Eddy Current	B	28.00	100	Futwa Islampur Riys.	C	6.50	10	Greatest Shipping	B	55.35	100	Hindustan Brown Boveri	B	310.00
10	Eddy Current	M	21.50	100	G. Claridge	B	150.00	100	Greaves Cotton	B	185.00	100	Hindustan Brown Boveri	D	305.00
100	Elecon Eng.	A	600.00	100	G. G. Dandekar	B	98.00	100	Greaves Cotton	C	195.00	50	Hindustan Buildings	C	1.12
100	Elecon Eng.	B	610.00	100	G. L. Hotels	B	16.00	10	Greaves Lombardini	D	12.00	10	Hindustan Comm. Bank	C	14.50
10	Electric Const.	C	38.25	10	Gabriel	B	20.00	10	Greaves Lombardini	D	12.00	10	Hindustan Develop.	B	33.50
10	Electric Const.	D	40.00	10	Gabriel	D	17.00	5	Grob Tea	C	3.75	10	Hindustan Develop.	C	70.00
100	Electrical Instruments	A	51.00	100	Gaekwar Mills	B	64.00	10	Guest, Keen, Williams	C	26.90	10	Hindustan Develop.	D	33.00
10	Electrical Mfg. Co.	C	10.81	100	Gajra Bevel	B	29.00	10	Gujarat Alkalies	A	45.50	10	Hindustan Dorr-Oliver	D	120.00
10	Electro Equipment	B	7.50	10	Gajra Bevel	Mp.	9.50	10	Gujarat Alkalies	B	46.00	10	Hindustan Electrophosphate	B	60.00
10	Electro St. Casting	B	45.50	10	Galada Continuous	H	10.00	10	Gujarat Alkalies	D	44.00	10	Hindustan Electrophosphate	C	58.50
10	Electro St. Casting	C	43.50	10	Ganmon (India)	B	20.75	10	Gujarat Aromatics	A	17.00	10	Hindustan Electrophosphate	D	59.00
10	Electro St. Casting	D	41.50	12 1/2	Ganesh Flour	D	5.00	10	Gujarat Aromatics	B	16.25	10	Hindustan Everest	B	14.50
10	Electronics	D	5.00	10	Gangappa Cables	B	18.00	10	Gujarat Auto	B	11.50	10	Hindustan Everest	D	21.00
10	Elgi Equipments	Bg.	27.50	10	Gangappa Cables	H	11.75	10	Gujarat Carbon	A	28.00	10	Hindustan Fashions	A	6.00
10	Elgi Equipments	M	30.00	10	Gangavati Sugar	Bg.	3.85	10	Gujarat Carbon	B	28.50	10	Hindustan Ferodo	B	37.00
10	Elgi Rubber	M	24.00	10	Ganges Investment	C	6.50	10	Gujarat Carbon	C	18.50	10	Hindustan Garment	D	1.50
10	Elgin Holding	C	3.50	10	Ganges Jute	C	3.69	100	Gujarat Ind. Truck	A	10.00	7	Hindustan Gas	C	31.50
10	Elgin Mills	C	17.75	100	Ganges Rope	C	104.00	100	Gujarat Ind. Truck	B	10.00	10	Hindustan Gas. Ind.	D	11.25
10	Ellenbarrie Indl. Gases	C	5.00	100	Gangeshwar Sugar	D	9.25	100	Gujarat Machine Tools	A	8.75	100	Hindustan Kishore	C	116.00
100	Ellenbarrie Tea	C	85.50	10	Garuda Investment	C	1.12	100	Gujarat Machinery	A	175.00	100	Hindustan Kokulu	D	125.00
10	Elora Paper	B	2.00	10	Garware Nylons	B	37.00	100	Gujarat Machinery	B	175.00	10	Hindustan Lever	A	42.50
50	Elphinstone Mills	B	50.00	10	Garware Nylons	C	32.60	100	Gujarat Ministeel	A	29.00	10	Hindustan Lever	B	44.75
10	Elpro International	B	235.00	10	Garware Nylons	D	37.00	100	Gujarat Ministeel	B	28.00	10	Hindustan Lever	C	43.81
10	Elsons Cotton	C	9.81	10	Garware Nylons	M	27.50	100	Gujarat Oxygen	A	1.50	10	Hindustan Lever	D	42.75
10	Elsons Cotton	D	12.00	10	Garware Paints	B	38.00	100	Gujarat Oxygen	B	1.50	10	Hindustan Lever	M	4.00
10	Eltox	M	4.00	10	Garware Wall Ropes	B	42.00	100	Gujarat Safe	B	70.00	50	Hindustan Mercantile Bank	C	30.50
100	Emco Esta	B	9.00	10	Gateway Chemist	B	4.00	100	Gujarat State Fertilizers	A	431.00	250	Hindustan Mills	B	430.00
100	Emco Transformers	B	125.00	100	Geep Flashlight	D	80.00	100	Gujarat State Fertilizers	B	468.00	10	Hindustan Mills	C	21.50
10	Emerald	D	4.30	100	General Electric	C	22.20	100	Gujarat State Fertilizers	C	493.00	10	Hindustan Motors	B	21.30
10	Emzard Valley Coffee	Bg.	24.00	100	General Electrodes	B	150.00	100	Gujarat State Fertilizers	D	482.00	10	Hindustan Motors	C	21.30
15	Empire Ind.	B	28.00	100	General Industrial	C	15.19	100	Gujarat State Fertilizers	M	438.00	10	Hindustan Motors	D	21.28
10	Empire Jute	C	3.00	100	General Investment	C	108.00	100	Gujarat State Fertilizers	B	11.00	10	Hindustan National Glass	C	47.50
10	Enamelled Wires	B	9.25	10	George Williamson	B	20.00	100	Gujarat Steel Tube	A	445.00	100	Hindustan Oxygen	A	100.00
10	Enfield	M	19.80	10	George Williamson	C	21.10	100	Gujarat Steel Tube	B	430.00	100	Hindustan Oxygen	B	100.00
10	Engine Valves	M	28.50	10	George Williamson	D	22.50	100	Gujchem Dist.	A	222.50	100	Hindustan Pilkington	C	9.56
10	English Electric	C	38.50	100	German Remedies	B	28.50	100	Gujchem Dist.	B	215.00	100	Hindustan Polymers	B	40.00
100	English Indian Clays	M	100.00	100	German Remedies	D	30.25	100	Gumnytex (India)	C	4.00	100	Hindustan Polymers	H	20.00
10	Engo Tea	C	73.00	10	Gilan Agro Ind.	C	5.50	100	Gwalior Rayon	Bg.	64.75	10	Hindustan Products	C	4.00
10	Ennore Foundries	B	35.00	10	Gillanders Arbuthnot	C	8.81	100	Gwalior Rayon	C	67.70	10	Hindustan Sanitary	C	30.00
10	Ennore Foundries	D	39.00	10	Gillapukri Tea	C	8.00	100	Gwalior Rayon	D	68.00	100	Hindustan Sugar	B	270.00
10	Ennore Foundries	M	36.87	10	Giltedged Indl.	D	2.75	100	Gwalior Rayon	Mp.	60.00	10	Hindustan Trans.	B	5.00
10	Equinox Co.	C	6.90	125	Girdhardes Harivallabh.	A	108.00	100	Gwalior Security	C	190.00	10	Hindustan Wire	B	9.75
10	Escorts Ltd.	A	38.25	10	Glri Finance	C	1.81	100	Gwalior Sugar	C	2.70	10	Hindustan Wire Ind.	B	38.00
10	Escorts Ltd.	B	39.50	10	Glaxo Laboratories	B	23.00	100	Gwalior Tools	D	11.50	10	Hindustan Wire Prod.	C	11.94
10	Escorts Ltd.	Bg.	38.50	100	Globe Auto (Gujarat)	B	25.00	100	Gwalior Webbing	B	4.00	100	Hindustan Wired Glass	B	12.00
10	Escorts Ltd.	C	39.10	100	Globe Auto (Gujarat)	D	22.00	10	HES Limited	B	59.50	10	Hoare Miller	C	0.08
10	Escorts Ltd.	D	39.12	100	Globe Motors	B	1.00	10	HMM Ltd.	D	59.00	10	Hoehat Dyes	B	29.25
10	Essar Investment	M	6.75	100	Globe Steerings	M	100.00	10	Hada Steel Products	D	8.00	10	Holst-O-Mech	B	2.00
50	Estrela Batteries	B	9.00	100	Gnanambikal Mills	B	34.00	10	Hada Textile Mills	C	11.00	10	Hooghly Buildings	C	5.06
10	Ethelberti Tea	C	7.50	10	Goa Carbon	C	3.12	10	Hailleyburia Tea	B	14.00				

3. Refer footnote No. 1 on page 139.

EQUITY SHARES QUOTATIONS AS ON 1-4-1981 IN RELATION TO ASSESSMENT YEAR 1993-94 AND ONWARDS⁴ — (Contd.)

Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.
10	Horizon Tdg.	C	3.19	5	Indo Solex	D	2.20	10	Jaypore Syntex	C	12.00	25	Kashuri Mills	M	16.50
10	Hotel Banjara	H	10.00					10	Jaypore Syntex	D	10.25	10	Kasturi Paper	Bg.	10.30
10	Hotel Ganges	D	11.00	10	Indo Swiss Time	B	10.25	10	Jaypore Udyog	B	3.24	100	Kathakhal Lala Rlys.	C	13.75
100	Housing Dev. Finance	B	97.00	10	Indo Swiss Time	D	10.37	10	Jaypore Udyog	C	2.81	10	Kathar Jute	C	2.15
10	Howrah Jute	C	6.62	10	Indo-American Elec.	C	0.75	10	Jaypore Udyog	D	3.00	10	Kaveri Steels	Bg.	4.25
7 1/2	Hukumchand Jute	C	31.25	10	Indo-Asahi Glass	B	16.00	10	Jayshree Chemicals	B	16.75	100	Kaycon Industries	B	86.00
100	Hukumchand Mills	B	100.00	10	Indo-Asahi Glass	C	15.69	10	Jayshree Chemicals	C	20.75	10	Kaypee & Co.	C	2.50
100	Hukumchand Mills	MP	105.00	10	Indo-Burma Petro.	B	17.00	10	Jayshree Tea & Ind.	B	40.25	10	Keltron Component	M	10.37
10	Hulidbari Tea	C	9.30	10	Indo-Burma Petro.	C	21.00	10	Jayshree Tea & Ind.	C	39.75	100	Kelvin Jute	C	50.00
10	Humayun Prop.	C	12.50	10	Indo-Lower Brew	B	10.00	10	Jayshree Tea & Ind.	D	38.50	10	Kalvinator of India	B	54.00
10	Humliadhi Coal	C	0.50	10	Indo-Lower Brew	D	9.25	10	Jeevanlal (1929)	C	5.00	10	Kalvinator of India	D	52.00
10	Hyderabad Alhwayn	H	20.50	10	Indore Export & Import 'A'	D	12.62	10	Jeevanlal (1929)	M	2.50	200	Kamp & Co.	B	205.00
10	Hyderabad Asbestos Cem.	H	47.50	100	Indora Wires	B	35.00	10	Jesons Electronics	D	2.00	10	Karala Acids	Bg.	10.00
10	Hyderabad Carbon & Chem.	H	10.00	10	Indu Eng. & Text.	C	2.37	10	Jessop & Co.	C	1.81	10	Kerala Chemical	Bg.	10.00
10	Hyderabad Chem. & Fert.	H	4.00	10	Industrial & Prudential	B	21.50	10	Jet Age Trading Co.	C	2.90	10	Kerala Rubber	M	10.00
10	Hyderabad Connectronics	H	10.00	10	Industrial Cables	B	30.00	10	Jiyajerao Cotton	B	25.50	100	Kerry Jost	B	11.50
10	Hyderabad Vanaspati	C	2.25	10	Industrial Cables	D	51.00	10	Jiyajerao Cotton	C	25.25	50	Kesar Sugar	B	81.00
10	I. A. E. C. (Bom.)	B	7.50	100	Industrial Cr. & Inv.	B	110.00	10	Jiyajerao Cotton	D	25.31	100	Kesco Minerals	M	10.00
10	I. T. C. Ltd.	B	20.75	100	Industrial Credit	Bg.	8.50	10	Jodhpur Woollen	C	4.37	10	Kesoram Ind.	B	34.50
10	I. T. C. Ltd.	Bg.	20.50	100	Industrial Inv. Trust	B	105.00	10	John Fowler (India)	B	11.00	10	Kesoram Ind.	C	35.40
10	I. T. C. Ltd.	C	20.10	10	Ingersoll-Rand	B	141.00	10	John Fowler (India)	Bg.	15.50	10	Kesoram Ind.	D	32.75
10	I. T. C. Ltd.	D	20.25	10	Inter-Continental Tdg.	D	2.50	10	John Oakay & Mohan	C	13.00	100	Kettiewell Bullen	C	75.00
10	I. T. C. Ltd.	H	18.25	10	International Combustion	B	24.00	10	John Oakay & Mohan	D	14.62	100	Keytuo	B	85.00
10	I. T. C. Ltd.	M	20.25	10	International Combustion	C	26.50	10	John Patterson	C	2.50	10	Khammam Granite	C	5.00
10	IDL Chemicals	B	19.00	10	International Combustion	D	7.00	10	Jokal (India)	B	23.00	10	Khammam Granite	H	10.00
10	IDL Chemicals	Bg.	17.50	10	International Computers	B	25.50	10	Jokal (India)	C	23.00	100	Khandelwal Ferro Alloys	B	130.00
10	IDL Chemicals	H	16.25	10	International Computers	D	23.25	10	Jonas Woodhead	M	23.50	100	Khandelwal Hermann	B	7.50
10	IVP Ltd.	B	37.50	10	International Conveyors	C	2.75	10	Joonkollie Tea	C	17.00	250	Khandesh Mills	B	325.00
10	Isack Tyres	C	2.12	10	International Instrument	B	23.50	50	Jost's Eng.	B	36.00	1000	Khandesh Mills	B	900.00
10	Isack Tyres	B	13.00	10	International Instrument	Bg.	22.25	10	Jotindra Steel	C	3.75	5	Khatou Junker	B	18.50
100	Indecup Eng.	A	86.00	10	International Instrument	D	22.00	10	Jotindra Steel	D	29.50	100	Khatou Mills	B	222.50
10	India Cabron	C	37.25	10	Investment & Precision	B	4.00	10	Jupiter Breweries	B	7.25	100	Khodiyar Pottery	B	110.00
5	India Cement	B	4.00	100	Investment Corp.	B	145.00	10	Jupiter Breweries	C	8.31	100	Kidderpore Holdings	C	4.00
5	India Cement	M	3.97	10	Investment Trust	M	20.00	10	Jutlibari Tea	C	23.00	2	Kil Kotagiri Tea	M	4.20
10	India Engineering Const.	B	1.50	10	Investors India	D	2.25	100	Jyoti Electric	B	112.50	100	Kilik Nixon	B	430.00
10	India Foils	B	25.00	10	Ion Exchange	B	23.00	100	Jyoti Engineering	A	135.00	10	Kinetic Eng.	B	106.00
10	India Foils	C	23.00	10	Ion Exchange	D	22.50	100	Jyoti Engineering	B	135.00	10	Kiran Investment	C	3.55
10	India Forge & Drop	B	26.00	10	Ippo Paper	B	9.00	100	Jyoti Investment	C	10.00	100	Kirampudi Sugar	M	55.00
10	India Forge & Drop	M	25.00	10	Ishwar Industries	D	9.62	100	Jyoti Switchgears	B	106.00	25	Kirloskar Bros.	B	40.00
10	India Gelatine	A	31.50	2	Ivan Jones	C	0.12	100	Jyotsna Investment	C	3.75	100	Kirloskar Cummins	B	395.00
10	India Jute	C	19.00	10	J. J. Exporters	C	6.50	10	K. C. P. Sugar	M	31.25	100	Kirloskar Electric	Bg.	27.50
10	India Paper & Pulp	C	1.62	10	J. J. H. Industries	C	2.62	10	K. G. Khosla	B	20.00	10	Kirloskar Electric	M	28.00
10	India Photographic	B	78.00	100	J. K. Chemicals	B	175.00	10	K. G. Khosla	D	19.00	10	Kirloskar Oil Engine	B	27.00
10	India Steamship	C	25.25	10	J. K. Cotton	B	33.00	10	K. G. Patil	B	13.75	10	Kirloskar Pneumatic	B	37.00
10	India Steamship	D	24.50	10	J. K. Cotton	C	30.40	10	K. I. C.	M	5.75	10	Kirloskar Pneumatic	D	38.75
10	India Sugar	Bg.	6.00	10	J. K. Cotton	D	31.00	10	KSB Pumps	B	44.00	100	Kirloskar Systems	Bg.	111.00
10	India Sugar	M	3.66	10	J. K. Industries	B	13.50	10	Kabini Paper	Bg.	10.00	100	Kirloskar Systems	M	70.00
10	Indian Air Gases	D	10.50	10	J. K. Industries	C	13.75	10	Kabirad Investment	C	10.00	100	Kirloskar Tractors	B	15.25
10	Indian Aluminium	B	23.75	10	J. K. Industries	D	13.12	10	Kabirad Investment	D	10.00	10	Kirloskar Tractors	M	12.75
10	Indian Aluminium	C	24.40	10	J. K. Mtrs.	C	2.00	10	Kadri Textile	M	3.00	10	Kiri Investment	B	10.00
100	Indian Aluminium Cables	D	120.00	10	J. K. Satoh Agri.	C	4.50	100	Kadri Textile	M	30.00	100	Kishore Trading	C	68.00
10	Indian Bright Steel	B	4.00	10	J. K. Satoh Agri.	D	10.00	2	Kallias Rubber	Bg.	5.60	100	Kishinoor Investment	C	2.50
10	Indian Cables	C	23.50	10	J. K. Synthetics	B	53.00	2	Kallias Rubber	M	4.60	100	Kishinoor Mills	B	60.00
10	Indian Card Clothing	B	44.00	10	J. K. Synthetics	C	51.40	100	Kaira Can	B	109.00	100	Kolleru Paper	H	10.00
10	Indian Cement (1937)	B	5.10	10	J. K. Synthetics	D	52.25	100	Kaiser-Hind	A	275.00	10	Kolmak Chemicals	C	17.25
10	Indian Dairy	B	11.00	10	J. K. Traders	D	11.00	2	Kalasa Tea	M	3.80	10	Konark Investment	C	2.50
10	Indian Dairy	D	17.75	10	J. L. Morrison	B	16.00	10	Kalimpong Produce	C	4.62	10	Kothari (Madras)	B	37.50
10	Indian Duplicators	B	22.00	10	JG Glass	Bg.	14.50	10	Kalpatta Rubber	B	14.25	10	Kothari (Madras)	Bg.	35.80
10	Indian Duplicators	C	22.87	10	JG Glass	D	8.12	10	Kalpatta Rubber	M	20.75	10	Kothari (Madras)	C	34.50
10	Indian Duplicators	D	22.75	10	Jaga Sea Foods	H	10.00	10	Kalyani Paper	D	10.00	10	Kothari (Madras)	D	35.25
100	Indian Dyesuff	A	239.00	10	Jagatjit Cotton	C	18.12	100	Kalyanpur Lime	C	8.69	10	Kothari (Madras)	M	37.00
100	Indian Dyesuff	B	253.00	10	Jagatjit Cotton	D	18.75	100	Kamala Sugar	M	51.00	10	Kothari Plantations	C	11.00
100	Indian Electro Chem.	A	105.00	10	Jagatjit Industries	B	13.00	100	Kamati Eng.	B	82.00	10	Kothari Sugar	B	12.50
100	Indian Electro Chem.	B	65.00	10	Jagatjit Industries	C	17.25	100	Kamarhaty Jute	C	133.00	10	Kothari Sugar	Bg.	5.70
100	Indian Explosives	B	22.75	10	Jagatjit Industries	D	19.25	100	Kankariya Chemicals	A	16.75	10	Kothari Sugar	M	11.85
100	Indian Explosives	C	23.30	100	Jagatjit Industries	D	19.25	100	Kankariya Chemicals	B	17.75	10	Krishna Behari Tea	C	10.16
100	Indian Hotels	B	82.00	100	Jal Commercial	D	2.00	100	Kankarhar Jute	C	41.00	50	Krishna Rajendra Text.	M	28.00
100	Indian Hume Pipe	B	90.00	100	Jain Sudh Vanas.	D	10.12	100	Kannapiran Textile	B	6.00	10	Kulkarni Black & Decker	B	11.50
100	Indian Link Chain	B	108.00	10	Jain Sudh Vanas.	D	17.50	100	Kanoria Chemicals	B	34.50	3	Kumardhubi Eng.	C	2.00
100	Indian Metal & Ferro	C	23.00	10	Jain Tube Co.	D	14.75	100	Kanoria Chemicals	C	36.62	10	Kumardhubi Fire Clay	C	18.25
100	Indian Organic Chemical	B	312.00	100	Jam Shri Ranjit Mills	D	147.75	100	Kanoria International	C	7.25	2	Kumargode Coffee	M	9.75
100	Indian Oxygen	C	23.20	1000	Jam Shri Ranjit Mills	D	1400.00	100	Kanoria Overseas	C	3.30	10	Kumbakonam Elec.	M	10.15
10	Indian Plastics	C	33.50	100	Jam Shri Ranjit Mills	C	28.50	100	Kanoria Synthetics	C	6.25	10	Kunal Engineering	B	38.00
10	Indian Radiators	B	9.25	100	Jam Shri Ranjit Mills	B	8.00	100	Kanumanek Trading	B	8.50	10	Kunal Engineering	Bg.	48.00
10	Indian Radiators	M	10.15	100	Jardine Henderson	C	48.00	10	Kap Steel	Bg.	29.00	10	Kunal Engineering	D	22.00
10	Indian Rayon	A	78.00	100	Jasmine Investment	B	8.00	10	Kar Valves	M	27.25	10	Kunal Engineering	M	51.75
10	Indian Rayon	B	80.00	10	Jasmin Sugar	D	8.00	10	Karanpura Dev.	C	2.00	10	Kurchermalia Plantations	M	18.00
10	Indian Rayon	C	77.00	10	Jawhar Textile	M	10.50	10	Kareem Cascami	Bg.	10.85	10	Kusum Products	C	45.00
100	Indian Rubber Reg.	A	80.00	10	Jey Electric Wires	B	18.00	10	Karikode Rubber	M	10.25	10	Kutch Salt	B	2.40
100	Indian Rubber Reg.	B	80.00	10	Jey Eng. Works	C	17.81	10	Karnataka Explosives	B	11.00	10	Kyung Tea Seed	C	5.00
10	Indian Seamless Metal	B	23.00	10	Jey Eng. Works	D	18.87	10	Karnataka Explosives	Bg.	12.50	5	L. D. Textile	A	9.50
10	Indian Steel & Wire	C	36.87	10	Jaybharat	B	11.00	10	Karnataka Inv.	Bg.	6.00	5			

4. Refer footnote No. 1 on page 139.

EQUITY SHARES QUOTATIONS AS ON 1-4-1981 IN RELATION TO ASSESSMENT YEAR 1993-94 AND ONWARDS⁵ — (Contd.)

Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.
100	Lakshmi Machine	M	433.00	10	Maharashtra Steel	D	0.25	10	Mettur Chemical	Bg.	16.00	10	Mysore Cement	M	28.00
50	Lakshmi Mills	Bg.	215.00	50	Maharashtra Sugar	B	52.00	10	Mettur Chemical	M	18.90	10	Mysore Chem. Mfrs.	Bg.	8.00
25	Lakshmi Mills "A"	Bg.	214.00	10	Mahavir Sgg. Mills	B	35.75	10	Mewar Fibre Holding	C	6.15	10	Mysore Chem. Mfrs.	M	3.10
25	Lakshmi Mills "A"	Bg.	105.00	100	Mahavir Sgg. Mills	D	36.00	100	Mewar Sugar Mills	C	6.06	10	Mysore Chrome	Bg.	4.50
10	Lakshmi Ratan Eng.	B	1.24	100	Mahendra Electricals	A	161.25	100	Mico Farm	M	180.00	2	Mysore Coffee	Bg.	3.00
1000	Lakshmi Sugar	B	900.00	100	Mahendra Electricals	B	161.25	10	Midland Rubber	B	15.25	2	Mysore Coffee	M	4.40
100	Lakshmi Vishnu Mill	C	82.00	100	Mahendra Mills	A	180.00	10	Midland Rubber	M	17.50	10	Mysore Coffee Curing	Bg.	10.87
10	Lakurka Coal	B	1.25	100	Mahendra Spicer	A	27.00	10	Midnapore Comm.	C	51.75	10	Mysore Coffee Curing	M	7.42
10	Lamp Caps	B	2.00	12 1/2	Mahendra Spicer	B	27.25	10	Miles (India)	A	11.50	100	Mysore Elec. Ind.	Bg.	29.00
10	Larkspur Investments	D	2.70	10	Maheshwari Mills	A	415.00	10	Milk Food	B	11.00	10	Mysore Electro Chemical	Bg.	5.20
10	Larsen & Toubro	B	52.25	10	Mahindra & Mahindra	B	44.00	10	Milk Food	D	14.25	100	Mysore Electro Chemical	M	4.50
10	Larsen & Toubro	Bg.	48.50	10	Mahindra & Mahindra	C	43.90	10	Milk Tea	B	15.00	100	Mysore Kirloskar	B	255.00
100	Lawrence Inv.	C	5.37	10	Mahindra & Mahindra	D	43.90	100	Mindia Chemical	C	170.00	100	Mysore Kirloskar	Bg.	182.00
10	Laxmi Auto Loom	B	12.00	10	Mahindra Uguine	A	59.50	10	Mindia Chemical	B	9.50	10	Mysore Lac & Paints	Bg.	25.50
10	Laxmi Comm. Bank	D	30.00	10	Mahindra Uguine	B	84.00	10	Mindia Chemical	C	8.44	10	Mysore Lamps	Bg.	18.50
100	Laxmi Starch	B	139.25	10	Mahindra Uguine	C	52.50	10	Mint Investment	C	4.00	10	Mysore Lamps	M	24.50
10	Laxmichand Bhagaji	A	2.50	10	Mahindra Uguine	C	52.50	10	Mipco Investment	B	3.50	10	Mysore Machinery Mfrs.	Bg.	3.50
10	Laxmichand Bhagaji	B	2.50	10	Mahindra Uguine	C	52.50	10	Mirch Mixex	B	4.76	10	Mysore Paper	B	9.50
10	Light Roofings	M	5.05	10	Mahindra Uguine	C	52.50	25	Misamaly	M	23.00	10	Mysore Paper	Bg.	9.30
2	Ungapur Coffee	Bg.	6.70	10	Mahindra Uguine	C	52.50	10	Modella Steels	B	18.50	10	Mysore Paper	Bg.	12.50
2	Ungapur Coffee	Bg.	6.55	10	Mahindra Uguine	C	52.50	10	Modella Woolens	B	9.50	10	Mysore Paper	M	8.50
10	Upton Tea	B	12.75	10	Mahindra Uguine	C	52.50	10	Modern Converters	C	3.87	10	Mysore Petro Chemicals	B	15.50
10	Upton Tea	C	13.00	10	Mahindra Uguine	C	52.50	10	Modern Homes	B	6.00	10	Mysore Petro Chemicals	Bg.	15.40
10	Lohia Machines	B	23.00	10	Mahindra Uguine	C	52.50	10	Modern Mills	B	55.00	10	Mysore Petro Chemicals	C	15.56
10	Lohia Machines	D	21.25	10	Mahindra Uguine	C	52.50	10	Modern Mills	H	10.00	10	Mysore Petro Chemicals	M	25.50
500	London Rubber	M	900.00	10	Mahindra Uguine	C	52.50	10	Modern Sultings	B	19.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Long View Tea	C	7.50	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	15.25	10	Mysore Petro Chemicals	Bg.	3.00
10	Loobah Tea	C	18.12	10	Mahindra Uguine	C	52.50	10	Modern Sultings	B	28.00	10	Mysore Petro Chemicals	Bg.	3.00
50	Loyal Textile	M	200.00	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Lucky Agencies	B	5.00	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Lucky Valley Tea	M	28.00	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Lynx Machinery	B	3.50	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
100	M. B. Commercial	C	94.00	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	M. M. Rubber	B	15.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	M. M. Rubber	Bg.	14.70	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	M. M. Rubber	B	14.75	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	M. P. Agro Morarji	B	9.00	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	M. P. Agro Morarji	Bg.	19.00	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	M. P. Electricals	B	3.50	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	MAC Investments	Bg.	9.50	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	MRP Ltd.	B	29.50	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	MRP Ltd.	Bg.	29.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	MRP Ltd.	C	33.00	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	MRP Ltd.	D	22.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	MRP Ltd.	M	29.50	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
5	Macfarlane & Co.	C	2.00	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Machinery Mfrs.	B	32.00	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Machinery Mfrs.	C	31.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mack Trading	B	9.00	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	B	8.50	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.00	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	D	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10	Mahindra Uguine	C	52.50	10	Modern Sultings	D	24.00	10	Mysore Petro Chemicals	Bg.	3.00
10	Mackinnon Mackenzie	C	8.25	10											

EQUITY SHARES QUOTATIONS AS ON 1-4-1981 IN RELATION TO ASSESSMENT YEAR 1993-94 AND ONWARDS⁶ — (Contd.)

Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.
10	New Delhi Indl. Pro.	C	4.15	10	Fahargoomiah Tea	C	17.75	10	Port Shipping Co.	C	17.06	100	Rajababadur Poona	B	165.00
100	New Delhi Indl. Pro.	D	4.75	10	Panchura Tea	M	12.00	100	Poysha Industrial	B	15.00	10	Rajabhat Tea	C	8.12
100	New Great Eastern Mills	B	122.50	10	Palani Andavar Mills	M	3.25	100	Prabhat Udyog	B	30.00	10	Rajagiri Rubber	B	13.24
250	New Gujarat	A	1120.00	100	Pandyan Hotels	M	100.00	10	Pradyumna Steel	C	3.03	10	Rajagiri Rubber	M	18.76
100	New India Fisheries	B	110.00	10	Panipat Foods	D	0.50	10	Pradyumna Steel	C	3.03	50	Rajalekshmi Text.	M	87.00
100	New India Ind.	B	200.00	10	Pankaj Investment	C	10.00	10	Pradyumna Steel	C	3.03	100	Rajapalayam Text.	B	176.50
75	New India Inv.	C	29.50	10	Panorama Tdg.	C	2.03	250	Prasid Mills	A	200.00	10	Rajasthan Glyoxal	D	12.75
10	New India Sugar	C	27.50	10	Panyam Cement	B	170.00	10	Prashant Inv.	C	6.94	10	Rajasthan Glyoxal	B	33.00
200	New Jehangir Mills	A	105.00	100	Panyam Cement	Bg.	145.00	10	Pratap Holdings	C	9.58	10	Rajasthan Spg. & Wvg.	C	31.75
10	New Lok Investment	C	5.00	100	Panyam Cement	H	175.00	10	Pratap Rajasthan	D	14.00	10	Rajasthan Spg. & Wvg.	C	33.00
100	New Rajpur Mills	A	500.00	100	Panyam Cement	M	168.00	10	Pratibha Inv.	C	2.56	10	Rajasthan Synthetics	C	1.56
10	New Samanbagh Tea	C	1.15	100	Paper & Pulp	B	120.00	100	Precision Bearings	A	165.00	10	Rajasthan Vanspati	C	4.37
10	New Saven Sugar	C	0.77	100	Paper Mill Plant	B	75.00	100	Precision Bearings	B	165.00	10	Rajet Inv.	C	3.00
100	New Standard Eng.	A	122.00	100	Paper Products	B	180.00	100	Precision Jewels	B	13.50	5	Rajendra Coffee	M	34.00
100	New Standard Eng.	B	130.00	10	Parekh Dist.	D	180.00	100	Premier Automobiles	M	163.00	10	Rajgarh (Assam) Tea	C	35.50
100	New Swadeshi Mills	A	450.00	10	Parikh Investment	C	2.75	100	Premier Breweries	M	96.50	50	Rajkumar Mills	MP	75.00
100	New Swadeshi Mills	B	65.00	10	Parikh Eng. & Body	C	9.00	10	Premier Cables	B	10.52	10	Rajprakash Chem.	B	11.50
100	New Swadeshi Sugar	B	205.00	10	Parikh Tea	M	28.00	10	Premier Cables	D	16.00	10	Rajputana Invest.	C	7.50
10	New Terai Tea	C	39.15	10	Parishad Confectionery	M	1.55	10	Premier Const.	B	68.00	100	Ralli Machine	B	15.00
10	Nicholas Lab.	B	23.00	25	Parshuram Pottery	B	26.00	10	Premier Cotton	Bg.	26.75	100	Rallis India	B	180.00
100	Nila Products	A	90.00	125	Patell Mills	A	550.00	100	Premier Cotton	Bg.	240.00	100	Rallis India	B	183.00
10	Nilambur Tea	M	16.50	10	Pathemara Tea	C	25.12	100	Premier Cotton	M	242.50	100	Rallis India	M	194.00
10	Nilgiri Tea	Bg.	5.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ram Kishan Ispat	B	10.50
10	Nilgiri Tea	M	9.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rama Fibres	B	13.00
10	Nilhat Shipping	B	10.50	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	5	Rama Fibres	D	6.87
10	Nilhat Shipping	C	9.81	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ramcast Ltd.	C	8.50
100	Nimar Mills	B	28.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ramcast Ltd.	D	8.12
10	Nirfon	B	71.50	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	100	Ramakrishna Mills	M	53.04
25	Nizam Sugar	H	16.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ramakrishna Mills	M	2.19
10	Noble Trading Co.	C	2.19	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	100	Ramaraju Surgical Cotton	C	153.00
4	Nonsuch Tea	Bg.	8.50	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rameshwara Jute	C	17.50
4	Nonsuch Tea	B	12.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	250	Ramkrishna Mills	A	425.00
10	North Bihar Sugar	C	8.06	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ramnarayan Textile	M	3.47
10	North Brook Jute	C	4.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ramnugger Cane & Sugar	C	9.00
100	North West Cacher Tea	C	74.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ramona & Damm	B	16.25
10	North West Coal	C	0.85	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ramon & Damm	B	16.50
10	North India Hotels	D	10.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ramon Engg.	B	5.75
10	Novin Udyog	C	3.31	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rampur Distilleries	D	4.00
10	Novopan India	H	10.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ranapurji Invest.	C	1.60
10	Nuchem Plastics	D	20.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ranbaxy Laboratory	B	22.00
10	Nuddes Jute	C	6.44	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ranbaxy Laboratory	D	23.00
100	Nutan Mills	A	202.50	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	5	Rane (Madras)	B	12.50
10	Oceanic Investment	B	5.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	5	Rane (Madras)	M	14.75
100	Okayti Tea	C	280.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rane Brake	M	26.25
10	Olympic Gen. Trading	C	4.90	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Raneegunge Coal	C	1.06
100	Omega Cables	B	25.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rangala Invest.	B	5.00
100	Omega Cables	M	25.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rancherra Tea	C	9.50
10	Omi Holdings	C	3.31	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ranisati Prop.	C	2.25
10	Ondal Investment	C	14.10	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rapid Invest.	B	10.00
10	Oodlabari Tea	C	9.56	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rasoi Vanaspati	B	29.00
10	Orchid Tdg.	C	3.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rasoi Vanaspati	C	31.75
10	Orient Abrasives	B	23.50	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rasoi Vanaspati	D	30.00
10	Orient Abrasives	C	24.12	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rathi Alloys & Steel	B	25.75
10	Orient Abrasives	D	24.50	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rathi Alloys & Steel	D	25.00
10	Orient Beverages	B	2.50	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rathi Gases	D	19.75
10	Orient Beverages	C	7.12	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rathi Ispat	D	10.25
10	Orient Ceramics	B	10.50	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rathi Ministel	D	1.95
10	Orient Ceramics	D	8.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Rathi Udyog	D	10.50
50	Orient Movietone	C	47.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ratna Comm.	C	3.00
10	Orient Paper Ind.	B	47.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ratna Sugar	C	6.65
10	Orient Paper Ind.	C	46.25	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ratnakar Shipping	B	34.00
10	Orient Steel	C	8.75	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ratnakar Shipping	C	32.25
10	Oriental Carbon	B	15.50	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Raunaga Int.	D	10.25
10	Oriental Carbon	C	19.12	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	50	Ravalgaon Sugar	B	40.00
10	Oriental Carbon	D	16.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ravi Industrial Pr.	D	3.00
10	Oriental Carpet Mfg.	C	20.25	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Ravindra Steel	C	9.50
10	Oriental Carpet Mfg.	D	30.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Raw Jute Trading	C	4.03
100	Oriental Co.	C	107.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	100	Rayalaseema Text.	M	65.00
10	Oriental Coal	C	0.15	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Raymond Woollen	B	45.00
10	Oriental Hotels	B	24.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Raymond Woollen	C	42.00
10	Oriental Hotels	M	24.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Raymond Woollen	D	41.75
100	Oriental Industrial	B	75.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Raza Bulund Sugar	C	2.00
100	Oriental Power	B	99.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Raza Textile Mills	D	14.50
10	Orissa Cement	B	39.50	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Reckitt & Colman	B	25.00
10	Orissa Cement	C	39.50	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Reckitt & Colman	C	26.15
10	Orissa Cement	D	39.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	5	Refrigeration Acc.	C	3.00
10	Orissa Cement	M	33.25	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Regal Papers	D	6.00
10	Orissa Industries	B	5.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Regent Estate	C	1.00
10	Orissa Industries	C	5.25	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Reliance Chemotex	B	9.00
10	Orissa Minerals	B	1.75	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Reliance Chemotex	C	11.00
10	Orissa Textile Mills	C	1.37	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Reliance Fibrebricks	C	3.75
10	Oscar Investment	B	5.00	10	Pathemara Tea	C	8.50	100	Premier Cotton	M	242.50	10	Reliance Ind.	A	98.75
2	Ossoor Coffee	Bg.	3.05	100	Polyolefins Ind.	B	355.00	100	Premier Cotton	M	242.50	10	Reliance Ind.	B	98.75
2	Ossoor Coffee	B	3.25	100	Polyolefins Ind.	B	355.00	100	Premier Cotton	M	242.50	10	Reliance Ind.	Bg.	95.00
10	Osis Elevator	B	62.00	100	Polyolefins Ind.	B	355.00	100	Premier Cotton	M	242.50	10	Reliance Ind.	C	82.00
100	Oudh Sugar	B	173.75	100	Polyolefins Ind.	B	355.00	100	Premier Cotton	M	242.50	10	Reliance Ind.	D	98.00
10	P. R. S. Steels	B	11.50	100	Polyolefins Ind.	B	355.00	100	Premier Cotton	M	242.50	10	Reliance Ind.	M	98.50
10	PNB Finance	C	12.00	100	Polyolefins Ind.	B	355.00	100	Premier Cotton	M	242.50	10	Reliance Ind.		
10	PNB Finance	D	13.25	100	Polyolefins Ind.	B	355.00	100	Premier Cotton	M	242.50	10	Reliance Ind.		
10	Pedmanabha Inv.	M	10.00	100	Polyolefins Ind.	B	355.00	100	Premier Cotton	M	242.50	10	Reliance Ind.		
				100	Polyolefins Ind.	B	355.00	100	Premier Cotton	M	242.50	10	Reliance Ind.		
				100	Polyolefins Ind.	B	355.00	100	Premier Cotton	M	242.50	10	Reliance Ind.		
				100	Polyolefins Ind.	B	355.00	100	Premier Cotton	M	242.50	10	Reliance Ind.		

EQUITY SHARES QUOTATIONS AS ON 1-4-1981 IN RELATION TO ASSESSMENT YEAR 1993-94 AND ONWARDS⁷ — (Contd.)

Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.
10	Rolanco Jute	C	17.12	10	Sarvaraya Text.	M	5.25	10	Shri Mahavir Ispat	C	1.80
10	Remington Rand	B	24.00	10	Sashi Comm.	C	2.25	10	Shri Mansingha Oil	D	4.25
10	Remington Rand	C	24.25	100	Sathe Biscuits	B	70.00	10	Shri Manufacturing	C	12.00
10	Rovathi-CP	B	27.00	100	Satya Invest.	C	2.56	20	Shri Meenakshi Mill	M	6.00
10	Rovathi-CP	M	27.00	100	Saurashtra Cement	B	140.00	10	Shri Meenakshi S. Mills	Bg.	8.00
10	Rowa Coalfields	C	10.00	2	Savemalai Coffee	M	11.00	100	Shri Niwas Cotton	B	92.00
10	Rowa Drugs	B	14.50	100	Savay Mills	A	182.50	100	Shri Niwas Cotton	C	95.00
10	Rexroth-Maneklal	A	21.00	100	Schrader Scovill	B	29.00	100	Shri Padmanabha Invest.	C	2.56
10	Rexroth-Maneklal	B	21.00	100	Schrader Scovill	C	34.50	10	Shri Rajendra Mills	M	7.00
10	Richardson Hindustan	B	33.00	100	Schrader Scovill	D	34.00	10	Shri Ram Bearings	B	37.50
7 1/2	Rishabh Ispat	B	3.24	100	Scientific Instruments	C	90.00	10	Shri Ram Bearings	C	34.12
10	Rishra Invest.	C	3.19	20	Scindia Steam Navigation	B	28.50	10	Shri Ram Bearings	D	35.00
100	Roberts Mclean	C	68.00	10	Scototers India	B	10.25	10	Shri Ram Fibres	B	31.00
100	Rockwell Electrode	M	90.00	10	Scototers India	D	10.50	10	Shri Ram Fibres	D	29.50
100	Rohit Mills	A	237.50	10	Scottish Assam	C	9.00	10	Shri Ram Fibres	M	31.00
100	Rohit Pulp & Paper	B	190.00	10	Searle (India)	B	40.00	100	Shri Ram Mills	B	95.00
10	Rohitas Industries	B	4.50	10	Searsola Chem.	B	12.75	10	Shri Ram Piston	D	15.00
10	Rohitas Industries	C	4.80	10	Searsola Chem.	D	13.00	10	Shri Ram Refr.	D	27.00
100	Rohitas Industries	D	4.75	10	Secals	B	30.00	100	Shri Ramakrishna St.	M	125.00
100	Rolcon Engg.	A	220.00	10	Secals	M	24.35	100	Shri Rameshwar P. Inv.	C	101.00
100	Rolcon Engg.	B	220.00	10	Security Co.	C	4.87	10	Shri Rani Satl Invest.	B	8.50
100	Rollatainers	B	27.00	10	Sesoyok Tea	C	3.08	10	Shri Rayalaseema Paper	B	10.25
10	Rollatainers	C	26.50	10	Sehgal Papers	B	10.00	10	Shri Rayalaseema Paper	H	10.00
10	Rollatainers	D	32.00	10	Sehgal Papers	Bg.	8.25	10	Shri Rishabh Inv.	D	0.25
10	Roneo Vickers India	D	1.00	10	Sehgal Papers	D	9.00	10	Shri Sarvaraya Sugar	M	7.18
10	Roopacherra Tea	C	8.00	10	Sekaria Foundries	C	2.75	10	Shri Satyanarayana	M	10.00
10	Ropias (India)	B	60.00	10	Sen-Relegh	C	2.70	10	Shri Shri Lokenath	C	5.00
10	Rose Invest.	B	5.00	10	Sen-Relegh	C	5.08	10	Shri Shriam Sugar	C	5.00
25	Ruby Mills	B	60.00	10	Senilia Trading Syn.	C	2.12	10	Shri Shrinivas	C	5.00
10	Rukmani Metals	D	22.00	10	Seshasayee Ind.	M	21.25	10	Shri Synthetics	B	40.50
10	Rungamotee Tea	C	2.60	10	Seshasayee Paper	B	12.50	10	Shri Synthetics	D	39.00
10	Russel Const.	C	3.44	10	Seshasayee Paper	Bg.	12.00	10	Shri Synthetics	Mp.	29.00
10	Rustagi Trading	B	5.00	10	Seshasayee Paper	A	160.00	100	Shri Vallabh Glass	A	51.50
50	Rustam Mills	A	160.00	10	Seshasayee Paper	M	12.75	100	Shri Vallabh Glass	B	530.00
10	Ruston & Hornsby	B	25.00	10	Seven Seas	B	15.50	100	Shri Vallappa Text.	Bg.	33.33
10	Ryam Sugar	C	3.69	10	Seven Seas	D	14.50	100	Shri Vallappa Text.	M	85.00
10	Rydyak Tea	C	42.00	10	Sh. Protein & Foods	B	6.75	10	Shri Vindhya	D	5.10
5	S S. Ltd.	C	5.75	100	Shah Construction	A	81.00	10	Shri Vindhya Paper	B	9.00
10	S S. Ltd.	D	5.87	100	Shah Holdings	B	2.94	10	Shri Vindhya Paper	C	3.25
10	S. & S. Bushings	Bg.	14.25	100	Shah Malleable Castings	B	14.00	10	Shri Vindhya Paper	B	11.00
10	S. & S. Bushings	M	25.75	100	Shahjahanpur Elec.	C	2.00	10	Sicca Breweries	M	10.90
20	S. G. Invest.	C	15.00	10	Shaktigarh Text. Ind.	C	5.08	10	Siddhartha Comm.	C	2.00
10	S. G. S. Invest.	C	2.37	10	Shaktigarh Text. Ind.	D	2.75	10	Siddhartha Ferro Alloys	C	7.00
10	S. N. Sunderson	C	14.25	10	Shalimar Holdings	B	16.81	10	Siemens India	B	53.00
10	S. N. Sunderson	D	13.00	10	Shallimar Paints	C	13.06	10	Sijua (Jherria) Elec.	C	2.37
10	S. R. P. Tools	M	18.25	100	Shallimar Rope	C	15.75	100	Silver Cotton	A	400.00
10	S. S. Miranda	B	12.50	10	Shalimar Wires	C	15.75	10	Silver Trading	C	2.50
10	S. V. Trading	B	5.50	10	Shama Engine Valve	D	6.00	10	Silverstone Invest.	C	3.12
10	SAE (India)	D	41.00	10	Shantnu Invest.	D	5.00	10	Simco Meters	B	18.85
100	SLM-Maneklal	A	225.00	10	Sharma Vanija	C	1.20	10	Simco Meters	Bg.	10.50
100	SLM-Maneklal	B	180.00	10	Sharp Invest.	C	5.00	10	Simco Meters	M	24.50
10	Sadhna Nitro	B	24.00	10	Shaw Wallace	C	34.80	10	Simon Carves	B	18.00
10	Saffron Invest.	D	2.80	10	Shaw Wallace	B	5.78	10	Simon Carves	C	19.00
10	Sagar Invest.	B	3.00	10	Shethia Mining	M	3.50	50	Simplex Mills	B	71.50
10	Sagar Finance	H	1.90	10	Shivora Coffee	C	3.25	100	Singeli Tea	C	20.00
10	Sahvay Paris	H	10.00	10	Shibir India	C	12.00	100	Sinporex	B	108.00
10	Sahu Jain	D	10.19	10	Shirmoga Steel	Bg.	4.25	100	Sirdar Carbonic Gas	B	177.50
5	Sahu Properties	C	2.50	10	Shiv Investments	C	4.25	100	Sirpur Paper	B	22.25
100	Sajan Mills	Mp.	125.00	10	Shiva Paper	D	6.75	100	Sirpur Paper	C	22.00
10	Saket Exporters	A	6.00	10	Shivaji Works	B	18.00	100	Sirpur Paper	D	15.50
10	Sakhi Sugar	B	18.50	10	Shivalki Agro	D	10.50	10	Sirpur Paper	H	22.00
10	Sakhi Sugar	M	17.50	10	Shivmoni Steel	B	7.00	10	Sirelk Limited	C	6.25
10	Salam-Erode Elec.	M	20.00	10	Shivmoni Steel	Bg.	8.50	10	Sirelk Limited	D	7.87
10	Samridhi Invest.	C	4.75	10	Shivmoni Steel	C	2.05	10	Sirelk Limited	H	5.75
10	Sandep Investment	C	4.00	10	Shree Rajasthan Syntex	D	7.62	10	Sita Invest.	C	4.06
10	Sandoz	B	48.00	10	Shri Ambika Jute	C	7.00	10	Sivanandha Pipe	M	10.80
10	Sandur Manganese	Bg.	12.00	10	Shri Ambuja Petro.	A	12.00	100	Sivanandha Steel	M	148.00
100	Sandur Manganese	Bg.	100.00	10	Shri Ambuja Petro.	B	12.00	10	Sivanandha Textile	M	15.00
100	Sandvik Asia	B	395.00	10	Shri Badrinath Invest.	H	11.00	10	Siyaram Silk	A	28.50
10	Sanoh Industrial	C	6.00	10	Shri Bhawani Text.	C	5.00	10	Siyaram Silk	B	28.00
10	Sangam Invest.	C	6.00	10	Shri Bhawani Text.	D	4.25	10	Skol Breweries	B	20.00
2	Sangameshwar Coffee	Bg.	4.10	10	Shri Chamundeswari	Bg.	8.00	5	Smith Stanistreet	C	0.26
2	Sangameshwar Coffee	M	3.80	10	Shri Chamundeswari	M	7.40	10	Small Spanners	C	101.00
10	Sanjay Investment	C	3.08	12 1/2	Shri Changadeo Sugar	B	8.00	10	Snowmamp Engg. Co.	C	3.75
10	Sankey Wheels	B	12.75	10	Shri Dhoot Trading	B	10.50	10	Snowmamp Engg. Co.	D	0.60
10	Sankey Wheels	C	13.56	10	Shri Digvijay Cement	B	155.00	10	Solid Containers	B	8.25
10	Sankeshwar Holding	D	5.00	10	Shri Digvijay Cement	D	157.00	10	Solid State Devices	H	10.00
10	Sapol Tea	C	9.30	10	Shri Digvijay Woollen	B	45.00	10	Soma Investments	C	4.10
8	Saran Engineering	C	8.25	10	Shri Digvijay Woollen	D	11.82	100	Soma Organic	B	11.10
10	Sarang Vinlyog	C	2.81	100	Shri Dinesh Mills	A	350.00	10	Somani Ferro Alloys	B	10.00
200	Sarangpur Cotton	A	315.00	100	Shri Dinesh Mills	B	370.00	10	Somani Steels	B	12.00
100	Saraspur Mills	A	190.00	10	Shri Durga Agency	C	3.05	10	Somani Steels	D	3.25
10	Saraswati Textile	M	2.25	10	Shri Ganga Cold Storage	C	5.25	10	Somany Pilkington	C	31.50
100	Saraswati Ind. Synd.	D	150.00	10	Shri Ganga Cold Storage	C	5.06	10	Somany Pilkington	D	31.25
100	Saraswati Mktg.	B	10.00	10	Shri Gopali Inv.	C	5.25	10	Sonal River Tea	C	2.81
10	Saraswati Steel	B	6.25	10	Shri Hanuman Sugar	C	5.50	5	Sone Valley Cement	C	2.12
10	Saraswati Steel	D	5.60	10	Shri Krishna Gyano.	C	6.50	10	Soora Steel	C	6.00
10	Saro Alloys	B	12.00	50	Shri Krishna Gyano.	Bg.	43.00	100	South India Shipping	B	380.00
10	Saro Alloys	Bg.	14.40	10	Shri Krishna Gyano.	C	2.89	100	South India Shipping	M	40.90
10	Sarojo Textile	M	10.00	10	Shri Krishna Gyano.	B	1.24	10	South India Sugar	M	4.10
10	Saru Engineering	D	1.00								
100	South India Viscose	B	240.00	100	South India Viscose	M	238.00	100	South India Viscose	B	4.50
100	South India Viscose	M	238.00	100	South India Viscose	C	0.50	100	South India Viscose	C	7.00
100	South India Viscose	C	0.50	100	South India Viscose	M	8.70	100	South India Viscose	M	8.70
100	South India Viscose	M	8.70	100	South India Viscose	B	320.00	100	South India Viscose	Bg.	10.90
100	South India Viscose	Bg.	10.90	100	South India Viscose	B	2.00	100	South India Viscose	M	3.00
100	South India Viscose	M	3.00	100	South India Viscose	B	9.75	100	South India Viscose	M	11.75
100	South India Viscose	B	11.75	100	South India Viscose	Bg.	11.00	100	South India Viscose	C	11.00
100	South India Viscose	C	11.00	100	South India Viscose	D	11.25	100	South India Viscose	M	11.25
100	South India Viscose	M	11.25	100	South India Viscose	Bg.	11.00	100	South India Viscose	C	11.00
100	South India Viscose	C	11.00	100	South India Viscose	D	11.25	100	South India Viscose	M	11.25
100	South India Viscose	M	11.25	100	South India Viscose	Bg.	11.00	100	South India Viscose	C	11.00
100	South India Viscose	B	11.00	100	South India Viscose	D	11.25	100	South India Viscose	M	11.25
100	South India Viscose	Bg.	11.00	100	South India Viscose	B	11.75	100	South India Viscose	Mp.	106.00
100	South India Viscose	C	11.00	100	South India Viscose	Bg.	107.00	100	South India Viscose	Bg.	107.00
100	South India Viscose	M	105.00	100	South India Viscose	M	80.00	100	South India Viscose	B	1.50
100	South India Viscose	B	1.50	100	South India Viscose	C	2.00	100	South India Viscose	B	7.50
100	South India Viscose	C	2.00	100	South India Viscose	B	8.90	100	South India Viscose	C	1.50
100	South India Viscose	B	8.90	100	South India Viscose	C	1.00	100	South India Viscose	Bg.	10.00
100	South India Viscose	C	1.00	100	South India Viscose	D	9.00	100	South India Viscose	C	17.62
100	South India Viscose	Bg.	10.00	100	South India Viscose	B	41.00	100	South India Viscose	C	13.50
100	South India Viscose	D	9.00	100	South India Viscose	A	41.00	100	South India Viscose	A	41.00
100	South India Viscose	B	41.00	100	South India Viscose	B	41.00	100	South India Viscose	B	41.00
100	South India Viscose	C	41.00	100	South India Viscose	D	110.00	100	South India Viscose	B	53.00
100	South India Viscose	B	53.00	100	South India Viscose	C	50.50	100	South India Viscose	D	50.50
100	South India Viscose	C	50.50	100	South India Viscose	B	12.25	100	South India Viscose	B	12.25
100	South India Viscose	B	12.25	100	South India Viscose	C	2.00	100	South India Viscose	C	2.06
100	South India Viscose	C	2.06	100	South India Viscose	A	13.50	100	South India Viscose	B	14.50
100	South India Viscose	A	13.50	100	South India Viscose	B	14.50	100	South India Viscose	B	14.00
100	South India Viscose	B	14.50	100	South India Viscose	D	13.37	100	South India Viscose	A	52.00
100	South India Viscose</										

EQUITY SHARES QUOTATIONS AS ON 1-4-1981 IN RELATION TO ASSESSMENT YEAR 1993-94 AND ONWARDS^a — (Contd.)

Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.	Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.
10	Sunil Synchem.	D	16.00	10	Teljan Tea	C	7.12	10	Umang Industries	C	2.06	10	Vijay Spg. Mills	H	10.00
10	Sunjoyit Udyog	C	1.75	10	Tengani Tea	C	22.00	10	Uni Loids	H	10.00	10	Vijay Spg. Mills	M	6.60
10	Sunrise Auto	Bp.	2.50	100	Tensile Steel	A	50.00	10	Uni-Abex	B	11.75	250	Vijay Textile	A	290.00
10	Sunrise Invest.	B	3.80	100	Tensile Steel	B	50.00	10	Uni-Abex	D	12.00	100	Vijayekumar Text.	M	180.00
10	Suparwa Invest.	C	2.05	100	Terpene Ind.	D	11.00	100	Union Carbide	D	131.00	100	Vijayalakshmi Text.	M	41.67
10	Super Corn. Inv.	C	2.50	100	Testeels Ltd.	A	392.50	100	Union Carbide	C	28.70	100	Vijayawada Bottling	H	10.00
100	Super Spinning	Bp.	375.00	100	Textool	M	157.00	100	Union Carbide	C	72.50	10	Vikram Investment	C	4.90
100	Super Spinning	H	100.00	100	Tazpora Tea	C	13.25	100	Union Carbide	Bp.	10.00	10	Vikram Investment	D	7.90
100	Super Spinning	M	372.00	50	Thacker & Co.	Bp.	45.00	100	Union Carbide	C	22.00	10	Vikram Tyres	B	8.00
100	Superior Air	D	6.25	10	Thamapally Rubber	Bp.	13.50	10	Unique Invest.	C	3.00	10	Vikrant Tyres	Bp.	7.25
100	Supreme Cr. Corp.	C	4.87	10	Thamapally Rubber	M	21.00	10	United Breweries	Bp.	35.00	10	Vikrant Tyres	D	8.25
100	Supreme Industries	A	575.00	50	Thana Electric	B	35.00	10	United Breweries	M	34.50	10	Vinit Traders & Inv.	C	3.06
100	Supreme Industries	Bp.	575.00	10	Thanjavur Textile	M	24.50	100	United Carbon	B	257.50	5	Vinod Invest.	D	4.50
100	Surat Electricity	D	83.00	10	Thirani Chem.	D	10.12	100	United Collieries	C	6.50	5	Vinodunagar Text.	M	70.00
100	Surat Textile	A	51.25	10	Thirumalai Chem.	B	24.50	10	United Electrical	M	7.82	10	Vishal Malleables	B	4.76
100	Suri & Nayar	B	22.50	10	Thirumalai Chem.	M	25.00	10	United Flour	C	9.62	100	Vishnu Sugar	B	79.00
10	Suri & Nayar	Bp.	22.00	1	Thirumalai Rubber	M	2.75	5	United India Credit	C	3.50	10	Vitroc Electronics	C	6.50
10	Suryalaxmi Mills	H	4.00	10	Tide Water Oil	C	26.75	10	United Motors	B	17.50	10	Vitroc Electronics	D	7.12
10	Suryodaya Invest.	B	6.30	10	Tiffin's Barytes	M	9.35	10	United Nilgiri Tea	M	15.65	250	Vivekananda Mills	A	515.00
10	Suarna Trad. & Invest.	C	4.87	10	Tiger Locks	D	3.62	100	United Prov. Sugar	C	4.37	100	Volta Limited	B	284.00
10	Sudaj Cotton	C	20.81	10	Tinnevely Tuti. Tea.	M	14.50	100	United Wire Ropes	B	39.00	10	Vulcan-Level	Bg.	34.25
10	Sudaj Cotton	D	21.75	10	Tinplate Co.	B	8.25	10	Universal Cables	B	64.00	25	Vyasa Bank	Bg.	83.00
10	Sutna Stone Lime	C	5.25	10	Tinplate Co.	C	8.25	10	Universal Cables	C	67.50	50	Wysa Bank	Bg.	83.00
100	Swadeshi Mills	B	187.00	10	Tinplate Co.	B	8.25	10	Universal Cables	B	72.50	10	W. G. Forge	B	10.00
100	Swara Trading	B	5.25	10	Tinplate Co.	C	8.25	10	Universal Cables	B	72.50	150	W. H. Brady	B	40.00
100	Swadeshi Commercial	C	67.00	100	Tinplate Co.	C	8.25	10	Universal Cables	B	72.50	10	W. H. Harton Co.	D	11.25
10	Swadeshi Cotton	C	3.50	10	Tinplate Co.	C	8.25	10	Universal Cables	B	72.50	10	W. S. Insulators	B	40.25
10	Swadeshi Cotton	D	3.50	10	Tinplate Co.	C	8.25	10	Universal Cables	B	72.50	10	W. S. Insulators	M	36.00
10	Swadeshi Cotton (K)	B	12.00	100	Tinplate Co.	C	8.25	10	Universal Cables	B	72.50	100	Walchandnagar Ind.	B	150.00
10	Swadeshi Cotton P.O.	C	2.00	10	Tirupathi Invest.	C	2.44	10	Universal Electric	C	28.25	1	Walford Trans. (Eastern)	C	0.60
10	Swadeshi Cotton P.O.	D	2.00	10	Titagarh Jute	C	6.50	10	Universal Glass	D	4.37	1	Walford Transport	C	0.15
10	Swadeshi Polytex	A	16.50	10	Titagarh Paper 'A'	B	8.00	10	Universal Ind. Trust	D	4.00	100	Wandieside-National	B	60.00
10	Swadeshi Polytex	B	17.00	100	Tiwac Industries	Bp.	30.00	10	Universal Paper	C	8.62	10	Warner Hindustan	B	24.75
10	Swadeshi Polytex	Bp.	17.25	10	Toshiba Anand Batteries	B	30.50	10	Universal Paper	C	7.00	10	Warner Hindustan	B	26.00
10	Swadeshi Polytex	C	16.75	10	Toshiba Anand Batteries	D	22.50	10	Universal Petrochem.	C	7.00	10	Warren Tea	B	19.50
10	Swadeshi Polytex	D	17.75	10	Toshiba Anand Batteries	M	34.50	10	Universal Plast	C	1.25	10	Warren Tea	C	20.50
10	Swadeshi Polytex	M	17.00	10	Toshiba Anand Lamp	D	10.00	10	Universal Steel	D	23.25	2	Wartyhully Coffee	Bg.	3.65
100	Swamiji Textile	Mp.	100.00	10	Toyo Invest.	M	12.40	10	Universal Tyres	C	4.75	2	Wartyhully Coffee	M	5.25
100	Swan Mills	B	245.00	10	Tracksports of India	D	10.00	10	Universal Wires	C	10.30	1	Waverley Inv.	C	3.45
100	Swan Mills	C	228.00	10	Tractors (India)	B	39.00	10	Universal Wires	H	3.50	10	Wavin India	M	11.17
10	Swarn Veg. Prod.	D	6.56	10	Tractors (India)	C	31.25	100	Upper Doab Sugar	B	65.00	10	Ways Enterprise	C	2.12
10	Swastik Rubber	B	4.76	10	Trade Wings	B	7.00	100	Upper Doab Sugar	D	43.75	10	Welcast Steels	B	24.50
10	Swastik Safe	B	5.15	10	Trans & Elect.	M	10.00	10	Upper India Couper	C	20.00	10	Welcast Steels	Bg.	25.00
100	Swastik Textile	B	105.00	10	Transasia Carpets	B	11.75	50	Upper India Couper	A	5.15	10	Wellman Incandescent	C	13.12
10	Sweta Industrial Inv.	C	5.06	10	Transasia Carpets	D	11.75	10	Urvi Invest.	B	5.20	10	Westco Engineers	M	1.00
10	Sylvania & Luxman	B	17.50	10	Transformers & Switch	M	6.00	10	Usha Alloys & Steel	B	35.00	100	West Coast Paper	B	10.50
10	Sylvania & Luxman	D	16.75	10	Transpak Ind.	A	21.50	10	Usha Alloys & Steel	C	36.25	100	West Coast Paper	Bg.	110.00
10	Symbiot Invest.	C	1.50	10	Transpak Ind.	B	18.00	10	Usha Alloys & Steel	D	40.00	100	West Bengal Coal	C	10.44
100	Synthetics & Chemicals	B	99.00	10	Transpac Corp.	A	26.00	10	Usha Alloys & Steel	C	15.50	100	Western India Comm.	C	77.00
10	T. K. Chem.	B	4.00	10	Transport Corp.	Bp.	24.50	10	Usha Atlas Hydraulic	D	0.75	100	Western India Erectors	B	88.00
10	T. N. Chem.	B	15.85	10	Transport Corp.	C	25.00	10	Usha Forgings	B	19.00	10	Western India Glass	B	3.00
10	T. R. & Tea	M	21.25	10	Transport Corp.	H	45.00	10	Usha Martin Black	C	30.00	10	Western India Ind.	Bg.	50.00
10	T. S. Stanes	M	14.05	10	Transport Corp.	M	14.05	10	Usha Martin Black	B	11.50	100	Western India Ply.	B	133.50
10	TEXMACO	B	73.50	100	Transport Corp.	M	14.25	10	Usha Oil Udyog	B	2.90	100	Western India Ply.	Bp.	140.06
10	TEXMACO	C	75.00	100	Transport Corp.	B	222.50	10	Usha Spg. Mills	D	4.00	100	Western India Ply.	M	145.00
10	TEXMACO	D	73.75	100	Transport Corp.	M	116.50	10	Usha Spg. Mills	C	35.62	10	Western Ministeel	B	28.00
100	Tak Machinery	A	163.00	10	Tranvacore Ogala	M	3.75	10	Usha Telehoist	C	2.50	10	Western U.P. Elec.	D	1.06
100	Tak Machinery	B	107.50	10	Tranvacore Rayons	B	5.85	10	Uttar Pradesh Hotels	B	2.50	100	Wheels India	Bg.	17.60
2	Talayer Tea	M	5.00	10	Tranvacore Rayons	M	7.70	10	Uttar Pradesh Hotels	D	4.69	10	Wheels India	M	24.25
10	Talibros Automotive	B	23.50	10	Tranvacore Rubber	M	27.50	100	V. S. T. Tillers Tractor	Bp.	26.00	10	Whitco	A	8.75
10	Talibros Automotive	D	22.25	10	Tranvacore Sugar	M	4.00	100	V. S. T. Tillers Tractor	M	35.00	10	Whitco	B	8.75
100	Tamilnadu Card	M	100.00	10	Tri-Sure India	B	11.50	100	Valkundam Rubber	M	37.50	100	Whitco (India)	B	480.00
100	Tamilnadu Chromates	M	20.00	10	Tribeni Tissues	C	23.15	10	Valkundam Rubber	C	15.25	100	Widia (India)	Bg.	452.00
100	Tan India Wattle	M	105.00	10	Trichinopoly Text.	M	13.75	10	Vardhan Ltd.	C	10.00	100	Widia (India)	M	415.00
10	Tarnagar Inv.	C	4.25	100	Trichy Distilleries	M	101.50	10	Vardhan Spg.	B	52.25	10	Willard (India)	B	12.75
10	Tarun Commercial Mills	A	107.00	10	Trichy Steel Rolling	M	14.50	10	Vardhan Spg.	D	48.00	10	Willard (India)	D	11.37
10	Tata Chemicals	A	44.75	10	Triton Valves	Bg.	10.00	10	Vasanta Textile	D	10.00	10	Wimco	B	16.25
10	Tata Chemicals	B	47.75	10	Triveni Engineering	B	11.50	10	Vasanti Tea	M	2.64	10	Wimco	D	15.87
100	Tata Eng. & Loco.	A	440.00	10	Triveni Engineering	D	13.75	10	Vazir Sultan Tobacco	B	16.00	10	Wimsome Int.	C	2.06
100	Tata Eng. & Loco.	B	471.00	10	Triveni Sheet Glass	B	13.50	10	Vazir Sultan Tobacco	C	16.62	10	Window Glass	C	25.37
100	Tata Eng. & Loco.	Bg.	478.00	10	Triveni Sheet Glass	C	12.00	10	Vazir Sultan Tobacco	D	18.50	100	Wood Pops	B	162.50
100	Tata Eng. & Loco.	C	308.00	25	Tropical Rubber	M	35.00	10	Vazir Sultan Tobacco	H	15.75	100	Wood Paper	A	240.00
100	Tata Eng. & Loco.	D	431.00	10	Tube Investment	B	20.00	10	Vazir Sultan Tobacco	M	4.00	10	Wood Polymer	B	25.50
100	Tata Eng. & Loco.	M	472.00	10	Tube Investment	Bg.	19.50	10	Vazir Sultan Tobacco	M	2.44	10	Wood Polymer	B	25.50
10	Tata Finlay	B	16.00	10	Tube Suppliers	M	19.10	10	Vazir Sultan Tobacco	M	12.25	10	Woodland	M	6.00
100	Tata Finlay	C	15.00	10	Tubes & Malleables	M	10.00	10	Vazir Sultan Tobacco	M	11.00	10	Woodcombers of India	B	13.00
100	Tata Hydro-Elec.	B	107.00	10	Tulian Invest.	M	8.75	10	Vazir Sultan Tobacco	M	30.05	10	Woodcombers of India	D	16.62
100	Tata Iron & Steel	A	141.80	5	Tulsipur Sugar	C	2.46	10	Vazir Sultan Tobacco	M	20.00	10	Yamuna Gases	D	12.00
100	Tata Iron & Steel	B	143.25	10	Tungabhadra Ind.	B	14.00	10	Vazir Sultan Tobacco	M	17.50	50	Yamuna Syndicate	D	80.00
100	Tata Iron & Steel	C	136.00	10	Tungabhadra Ind.	C	13.75	10	Vazir Sultan Tobacco	M	11.00	100	Yasman Deepak	C	2.87
25	Tata Oil Mills	B	78.50	10	Tungabhadra Ind.	H	13.80	10	Vazir Sultan Tobacco	M	11.00	100	Yermiganur Spg.	H	60.00
100	Tata Power	B	106.00	10	Turcorin Spg.	M	3.06	10	Vazir Sultan Tobacco	M	11.00	100	Zandu Pharmaceuticals	B	102.00
10	Tata Robins Fraser	B	25.00	10	Twyford Tea	M	8.75	10	Vazir Sultan Tobacco	M	11.00	100	Zell-Ath	B	255.00
10	Tata Robins Fraser	C	25.00	10	Tycoon Tea	C	20.25	10	Vazir Sultan Tobacco	M	11.00	100	Zenith Steel Pipes	B	42.00
25	Tata Textile	B	25.00	10	U. I. Bearings	B	13.50	10	Vazir Sultan Tobacco	M	11.00	10	Zephyr Invest.	C	3.31
100	Tata Yodogawa	B	152.50	10	U. P. Asbestos	D	8.12	10	Vazir Sultan Tobacco	M	11.00	10	Zuari-Agro	B	30.00
10	Tea Estates	M	30.75	10	U. P. Twiga Fibre Glass	D	7.00	10	Vazir Sultan Tobacco	M	11.00	10	Zuari-Agro	C	30.25
100	Teacemilk (Hind)	C	7.19	10	Udayagiri Tea	M	12.25	10	Vazir Sultan Tobacco	M	11.00	10	Zuari-Agro	D	31.00
100	Technical Associates	C	4.31	100	Ugar Sugar Works	B	105.00	10	Vazir Sultan Tobacco	M	11.00	10	Zuari-Agro	M	25.75
100	Teekay Rubber	M	23.00	100	Ultra Marine & Pigments	B	415.00	10	Vazir Sultan Tobacco	M	11.00				
10	Teesta Valley Tea	C	11.25	10	Uma Properties	C	10.25	100	Vazir Sultan Tobacco	M	11.00				
10	Telangana Spg.	H	7.00												
10	Telangana Spg.	M	5.00												

1. INCOME FROM OTHER SOURCES**[From assessment year 1991-92 and onwards]**

Section 56(1) of the Income-tax Act lays down that income of every kind which is not to be excluded from the total income and which is not chargeable under any of the heads specified in section 14 shall be chargeable to income-tax under the residuary head "Income from other sources".

Income from "Interest on securities" will be assessed under this head, if it is not chargeable to tax under the head "Profits and gains of business or profession" [Vide section 56(2)(id)].

Section 56(2) enacts that in particular, and without prejudice to the generality of the provisions of sub-section (1), the following incomes shall be chargeable under the head "Income from other sources".

(i) Dividends**[Section 56(2)(i)]**

A comprehensive definition of dividend is given in section 2(22). Dividend income arises from ownership of shares of companies. Shares may be held as investment or as stock-in-trade. Under section 8(a), dividend is deemed to be the income of the previous year in which it is declared, distributed or paid. The date of accrual of the dividend is therefore taken to be the date on which it is declared at the annual general meeting of the company. Under section 8(b), interim dividend shall be deemed to be the income of the year in which the amount of such dividend is unconditionally made available by the company to the shareholders. Under section 194, tax is to be deducted at source from any payment of dividend at the rates in force, i.e., the rate or rates specified in this behalf in Part II of the Finance Act of the relevant year. Though the dividend is paid to a shareholder "net" after deduction of tax, the amount chargeable to tax is the gross amount of the dividend and not the net. This is because under section 198, the tax deducted at source in accordance with the provisions of sections 192 to 195 is deemed to be the income received. However, the dividend received from a foreign company is to be taxed net and not gross as there is no provision in the Income-tax Act under which the deduction of foreign tax is deemed to be the income received.

It may be noted that the dividend is to be taxed in the hands of the person whose name appears as a shareholder on the company's register of shareholders at the time when the dividend is declared even though he may not have been the owner of the shares of the entire period for which the dividend is declared.

DEDUCTIONS TO BE MADE FROM DIVIDEND INCOME:

(i) Any reasonable sum by way of commission or remuneration (called collection charges) paid for realising the dividend on behalf of the assessee.

(ii) Interest on loans taken for purchasing shares.

CREDIT FOR TAX DEDUCTED AT SOURCE FROM DIVIDENDS (SECTION 199):

(i) Where the income of any shareholder is included in the total income of another person either under sections 60, 61, 64, 93 or section 94 the credit for tax deducted at source will be given to such other person.

(ii) Where the dividend is assessable in the hands of beneficial owner other than the registered shareholder, the credit will be given to the beneficial owner on furnishing of declaration in Form No. 15B as prescribed under Rule 30A(2) by the registered shareholder and by the person claiming credit.

(iii) Where any shares are owned jointly by two or more persons not constituting a partnership, credit is to be given to each person in the same proportion in which dividend on such share is assessable as his income (2nd proviso to section 199).

NO DEDUCTION OF TAX TO BE MADE IN CERTAIN CASES:

To avoid inconvenience and hardship to a large number of small investors whose tax on estimated income is nil, section 197A provides that, income-tax shall not be deducted at source from dividend income in the case of a resident individual if he furnishes a declaration in writing in duplicate in the prescribed Form No. 15G to the payer of such income to the effect that the tax on his estimated total income for the relevant year will be nil. The person responsible for making payment is required to deliver one copy of such declaration to the Chief Commissioner or Commissioner on or before 7th day of the month next following the month in which the declaration is furnished to him.

**RELAXATION IN RESPECT OF DEDUCTION OF TAX AT SOURCE FROM DIVIDEND
UPTO SPECIFIED LIMIT:**

No tax shall be deducted at source from dividend income subject to the following conditions:

- (1) the dividend is payable to an individual, who is resident in India;
- (2) the dividend is paid by a company in which the public are substantially interested;
- (3) the dividend is paid by the company by an account payee cheque drawn on a bank; and

(4) the aggregate of the amounts of such dividend distributed or paid or likely to be distributed or paid during the financial year by the company to such individual does not exceed Rs. 2,500 [1st proviso to section 194].

(ii) Winnings from lotteries, crossword puzzles, races, card games, etc.:

[Section 56(2)(ib)]

Winnings from lotteries, crossword puzzles, races, card games, etc. will be exempt upto Rs. 5,000 u/s. 10(3). However, in respect of winnings from races including horse races, (1) from 1-10-1991 to 31-3-1992, the basic exemption of Rs. 5,000/- is not available, & (2) from 1-4-1992 & onwards, the basic exemption will be limited to Rs. 2,500 [proviso to section 10(3)]. Such winnings: (1) from 1-10-1991 to 31-3-1992, will be fully taxable & (2) from 1-4-1992 & onwards, in excess of Rs. 2,500 will be taxable, at the flat rate of 40%¹ under section 115BB and tax will be deducted at source from such winnings in excess of Rs. 2,500 u/s. 194BB. The other winnings (i.e. other than winnings from races including horse races) in excess of Rs. 5,000 will be taxed at the flat rate of 40%¹ u/s. 115BB and tax will be deducted at source from such winnings in excess of Rs. 5,000 u/s. 194B.

No deduction in respect of any expenditure is allowable from the winnings. However, expenditure on maintaining horses for running in horse races will be allowed in computing the income of the owner of race horses [Section 58(4)].

(iii) Income from interest on securities:

[Section 56(2)(id)]

Income from "Interest on securities" will be chargeable under the head "Profits and gains of business or profession", if the securities are held as stock-in-trade. If they are held as investment, the interest therefrom will be chargeable under the head "Income from other sources".

As in case of dividend income, any reasonable sum by way of commission or collection charges for realising the income and interest on moneys borrowed for the purpose of investment in securities will be allowed as deduction. Interest on securities is chargeable on accrual basis, where no method of accounting is regularly employed. However, where it is not so charged on accrual basis, it will be charged on receipt basis [2nd & 3rd provisos to section 145(1)].

LIABILITY TO DEDUCT TAX, ETC.:

(a) Section 193 provides that, the person responsible for paying any income by way of interest on securities, shall at the time of credit of such income to the account of payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax at the rates in force which are specified in Part II of the First Schedule to the Finance Act.

(b) Under section 203, a certificate of tax deduction in the prescribed Form No. 16A will be issued by the person paying the interest on debentures or other securities to the owner thereof to enable him to claim credit for the tax deducted at source.

(c) Where any security is owned jointly by two or more persons not constituting a partnership, the payment shall be deemed to have been made on behalf of, and the credit of tax deduction shall be given to, each such person in the same proportion in which the interest on such security is assessable as his income (Refer 2nd Proviso to section 199).

**RELAXATION IN RESPECT OF DEDUCTION OF TAX AT SOURCE
FROM INTEREST ON DEBENTURES UPTO SPECIFIED LIMIT:**

Clause (v) of proviso to section 193 provides that no tax shall be deducted at source from interest on debentures subject to the following conditions:

- (1) the interest is payable to an individual, who is resident in India;
- (2) the interest is paid by a company in which the public are substantially interested and the debentures are listed on a recognised stock exchange;
- (3) the interest is paid by the company by an account payee cheque drawn on a bank; and
- (4) the aggregate of the amounts of such interest paid or likely to be paid during the financial year by the company to such individual does not exceed Rs. 2,500.

1. For the assessment years 1991-92 to 1994-95, income-tax at the flat rate of 40% is to be increased by surcharge @ 12% of such income-tax (i.e. 4.8%) [in the case of a domestic company, surcharge @ 15% of such I.T. (i.e. 6%)] [Refer section 2(3) of the Finance (No. 2) Act, 1991, the Finance Act, 1992 and the Finance Act, 1993]. For the assessment year 1995-96, in the case of domestic company only, income-tax at the flat rate of 40% is to be increased by surcharge @ 15% of such income-tax (i.e. 6%) [Refer section 2(4) of the Finance Act, 1994].

NO DEDUCTION OF TAX TO BE MADE IN CERTAIN CASES:

To avoid inconvenience and hardship to a large number of small investors whose tax on estimated income is nil, section 197A provides that income-tax shall not be deducted at source from interest on securities in the case of a resident individual if he furnishes a declaration in writing in duplicate in the prescribed Form No. 15F to the payer of such income to the effect that the tax on his estimated total income for the relevant year will be nil. The person responsible for making payment is required to deliver one copy of such declaration to the Chief Commissioner or Commissioner on or before 7th day of the month next following the month in which the declaration is furnished to him.

(iv) Income from machinery, plant or furniture let on hire:**[Section 56(2)(ii) & (iii)]**

Where an assessee lets on hire machinery, plant or furniture belonging to him and also buildings and the letting of buildings is inseparable from the letting of the said machinery, plant or furniture, the income from such letting, if it is not chargeable to income-tax under the head "Profits and gains of business or profession", shall be chargeable under the head "Income from other sources".

(v) Other miscellaneous receipts falling under the head "Income from other sources":

(a) Interest on bank deposits and loans (not being interest arising out of money lending business), interest received on excess payments of advance tax under section 214/244A or on delayed refunds under sections 243/244/244A or under the various provisions of the Income-tax and other taxation acts.

(b) Director's fees from a company, director's commission for standing as a guarantor to bankers for allowing overdraft to the company and director's commission for underwriting shares of a new company.

(c) Income from ground rents.

(d) Income from royalties in general.

(e) Any sum received by the assessee from his employees as contributions to any provident fund or superannuation fund or any fund set up under the Employees' State Insurance Act or any other fund for the welfare of such employees, if such sum is not taxable under the head "Profits and gains of business or profession".

(vi) Method of accounting in respect of "Income from other sources":

Under section 145(1), income under this head is to be computed in accordance with the method of accounting regularly employed by the assessee. Thus accounts may be maintained on cash or mercantile basis.

(vii) Deductions to be made from "Income from other sources":**(Section 57)**

The following deductions are allowed for computing income under the head "Income from other sources":

(1) In respect of income from machinery, plant or furniture, etc. belonging to the assessee and let on hire, the deductions permissible are:

(a) amount paid on account of current repairs to the premises [Section 30(a)(ii)];

(b) amount paid on account of current repairs to machinery, plant or furniture and premium paid in respect of insurance against risk of damage or destruction thereof (Section 31);

(c) the amount of any premium paid in respect of insurance against risk of damage or destruction of the premises [Section 30(c)];

(d) depreciation in respect of building, machinery, plant or furniture [Section 32(1) and 32(1A)];

(e) benefit of unabsorbed depreciation [Section 32(2)].

(2) In respect of income in the nature of family pension, a deduction of a sum equal to 33 $\frac{1}{3}$ % of such income or Rs. 12,000, whichever is less.

(3) In respect of contributions received for provident fund, etc. [refer item (v)(e) above], the deduction of the same will be allowed only if such sum is credited by the assessee to the employee's account in relevant fund on or before the due date, i.e., the date by which the assessee is required as an employer to credit such contribution to the employee's account under the provisions of any law or term of contract or otherwise.

(4) Any other expenditure (not being in the nature of capital expenditure) laid out or expended wholly or exclusively for the purposes of making or earning such income.

(viii) Unexplained cash credits:**(Section 68)**

Where any sum is found credited in the books of the assessee for any previous year and no satisfactory explanation is offered to the Assessing Officer about the nature and source thereof, it is liable to be assessed as the income of that previous year.

(ix) Unrecorded investments:

(Section 69)

If in any financial year preceding the assessment year, an assessee has made investments which are not recorded in the books of account, the value of such investments may be deemed to be the income of the assessee for such financial year if no satisfactory explanation is offered to the Assessing Officer about the nature and source of such investments. Even in cases where the assessee has maintained books of account for a different previous year (other than financial year) such amount is taxable as income of the said financial year.

(x) Unrecorded money, bullion, jewellery, etc.:

(Section 69A)

Where in any financial year the assessee is found to be the owner of any money, bullion, jewellery or other valuable article which are not recorded in the books of account, if any, maintained by him for any source of income, and the assessee offers no satisfactory explanation to the Assessing Officer about the nature and source of acquisition, the money and the value of such bullion, jewellery or other valuable article may be deemed to be the income of the assessee of that financial year.

(xi) Unexplained investments:

(Section 69B)

Where in any financial year the assessee has made investment or is found to be the owner of any bullion, jewellery or other valuable article, and the Assessing Officer finds that the amount expended on making such investments or in acquiring such bullion, jewellery or other valuable article exceeds the amount recorded in the books of account maintained by the assessee, and the assessee offers no explanation about such excess amount or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the excess amount may be deemed to be the income of the assessee for such financial year.

(xii) Unexplained expenditure:

(Section 69C)

Where an assessee has incurred any expenditure in any financial year and he is unable to offer any satisfactory explanation in respect of the source of such expenditure or part thereof, such unexplained expenditure or part thereof, may be deemed to be the income of the assessee for such financial year.

(xiii) Hundi loans and interest thereon obtained or repaid otherwise than through an account payee cheque:

(Section 69D)

A hundi loan obtained or repaid (including interest on such borrowing) otherwise than through an account payee cheque drawn on a bank shall be deemed to be the income of the borrower for the previous year in which the amount was borrowed or repaid.

This section is not applicable to certain types of Darshani hundi transactions [Vide Circular No. 221 dated 6-6-1977—108 ITR (St.) 10].

2. MODE OF TAKING OR ACCEPTING CERTAIN LOANS OR DEPOSITS:

[Sections 269SS, 269T, 271D & 271E]

Section 269SS of the Income-tax Act provides that, after 30th June, 1984, no person shall take or accept any loan or deposit from any other person (referred to as the depositor) except by an account payee cheque or account payee bank draft, in the following cases:

- (i) where the amount of such loan or deposit or the aggregate amount of such loan or deposit taken or accepted from the depositor is Rs. 20,000² or more;
- (ii) where on the date of taking or accepting such loan or deposit, any earlier loan or deposit taken or accepted from the depositor and remaining unpaid on the date is Rs. 20,000² or more;
- (iii) where the amount of such loan or deposit taken together with the aggregate amount remaining unpaid on the date on which such loan or deposit is proposed to be taken or accepted is Rs. 20,000² or more;

The above provision will, however, not apply to any loan or deposit taken or accepted from, or any loan or deposit taken or accepted by (a) Government; (b) any banking company, post office savings bank or co-operative bank; (c) any corporation established by a Central, State or Provincial Act; (d) any Government company as defined in section 617 of the Companies Act, 1956; (e) such other institution, association or body or class of Gazette; (f) where the lender and borrower have agricultural income and neither of them has any income chargeable to tax under the Income-tax Act.

2. The monetary limit increased from Rs. 10,000 to Rs. 20,000 w.e.f. 1-4-1989. The increased monetary limit will apply to all loans/deposits taken or repaid on or after 1-1-1989 [Circular No. 522, dated 18th August, 1988. 173 ITR (St.) 44].

W.e.f. 1-4-1989, for non-compliance with the provisions of section 269SS, penalty equal to the amount of the loan or deposit taken is leviable u/s. 271D.

Repayment of deposit³ together with or without interest or interest alone⁴ exceeding Rs. 20,000⁵ are to be made by an account payee cheque or by an account payee bank draft [Section 269T]. From 1-4-1989 this provision will be applicable to all persons such as individual, H.U.F., A.O.P., company, co-operative society, firm, etc. W.e.f. 1-4-1989, for non-compliance with this provision a penalty equal to the amount of deposit repaid will be levied u/s. 271E.

3. RETURN OF INCOME

(i) Voluntary return:

[Section 139(1)]

The due dates for filing of return of income for various categories of assessee are as under:

(A) FROM ASSESSMENT YEAR 1994-95 AND ONWARDS:

- | | |
|---|------------------|
| (1) Where the assessee is a company | By 30th November |
| (2) Where the assessee is a person, other than a company: | |
| (a) (i) who is required to get his accounts audited under the Income-tax Act or any other law, or | |
| (ii) where the report of an accountant is required to be furnished u/s. 80HHC or 80HHD, or | |
| (iii) a co-operative society | By 31st October |
| (b) deriving income from business or profession and is not required to get his accounts audited as stated in (2)(a) above | By 31st August |
| (3) In any other case other than (1) & (2)(a)&(2)(b) above | By 30th June. |

(B) FOR ASSESSMENT YEARS 1991-92 TO 1993-94:

- | | |
|--|-----------------------------|
| (1) Where the assessee is a company | By 31st December |
| (2) Where the assessee is a person, other than a company: | |
| (a) (i) who is required to get his accounts audited under the Income-tax Act or any other law, or | |
| (ii) upto assessment year 1992-93, in the case of a partner of a firm where the accounts of the firm are required to be so audited, or (iii) where the report of an accountant is required to be furnished u/s. 80HHC or 80HHD, or (iv) a co-operative society | By 31st October |
| (b) deriving income from business or profession and is not required to get his accounts audited as stated in (2)(a) above | By 31st August ⁶ |
| (3) In any other case other than (1), (2)(a) & (2)(b) above | By 30th June. |

The above dates are mandatory. The Assessing Officer does not have power to extend the due dates mentioned above. Assessing Officer will not issue notice under section 139 requiring the assessee to furnish the return of income. But he may issue such a notice under section 142(1)(i), if the assessee has not filed a return within the time allowed as above. To illustrate, if the return of income for the assessment year 1994-95 is not filed by 30-6-1994, by an assessee falling under (A)(3) above, Assessing Officer may issue notice u/s. 142(1)(i), to the assessee to furnish the said return of income, on or after 1-7-1994.

Where an assessee files a return of income after the due dates mentioned above, interest at the rate of 2% for every month or part of a month of the delay in filing return will be levied u/s. 234A in the manner explained in item 1(a) on page 165.

It may be noted that, in view of omission of section 139(10) w.e.f. 1-4-1991, return of income below taxable limit is to be filed by an assessee in relation to assessment year 1991-92 and subsequent years.

(ii) Loss return:

[Section 139(3) read with Section 80]

If any person has suffered a loss in any previous year under the head "Profits or gains of business or profession" or under the head "Capital gains" and claims that the loss be carried forward and set off against the profits under the same head for the subsequent assessment year, then, he must file the return of income showing the loss within the time allowed under section 139(1) [i.e. by the due date for furnishing the return], failing which he would forfeit his right to the carry forward of the loss to succeeding year(s). For further details regarding carry forward of loss, refer page 157.

3. Where a "Kachcha Arhatiya" sells goods belonging to agriculturist, the sale proceeds thereof which remain with him cannot be regarded as a deposit made by the agriculturist with the "Kachcha Arhatiya" [Circular No. 556, dt. 23-2-1990. 183 ITR (St.) 92].

4. The payment of interest of Rs. 20,000 or more, will have to be made in the manner provided in section 269T [Circular No. 479, dated 16th January, 1987. 164 ITR (St.) 154].

5. The monetary limit increased from Rs. 10,000 to Rs. 20,000 w.e.f. 1-4-1989. The increased limit will apply to all deposits repaid on or after 1-4-1989 [Circular No. 522, dt. 18-8-1988. 173 ITR (St.) 44].

6. For assessment year 1993-94, due date for filing return of income, in the case of a working partner entitled to receive remuneration as a proportion (i.e. % age) of book-profits of the firm whose accounts are required to be audited u/s. 44AB, is extended to 31-10-93 [Notification No. S.O. 1986, dt. 26-8-1993. 205 ITR (St.) 78].

(iii) Belated return:

[Section 139(4)]

If an assessee has not furnished a return of income under section 139(1) or in response to notice under section 142(1)(i), he may furnish the return at any time before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

The assessee will be liable to pay interest under section 234A, for the period of delay. No penalty is leviable [Refer Interest Chart on page 169].

(iv) Revised return:

[Section 139(5)]

If after furnishing a return, any omission or wrong statement is discovered, a revised return can be filed under section 139(5) at any time before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier. No interest under section 234A is chargeable on the basis of the date of filing of the revised return.

(v) Defective return:

[Section 139(9)]

The procedure for assessment as laid down in Chapter XIV of the Income-tax Act starts with the filing of return of income under the provisions of section 139. It is, therefore, essential that the return filed should be correct and complete in all respects and should be accompanied by prescribed statements and copies of accounts and proofs in respect of tax deducted at source and the advance tax and tax on self-assessment, if any, claimed to have been paid.

Where the Assessing Officer considers that the return of income furnished by the assessee is defective, he may intimate the defect to the assessee for rectifying the same within 15 days from the date of such intimation or within such further period which he may grant, on an application made in this behalf. If the defect is not rectified within the period allowed, the return filed will be treated as invalid and the assessee would render himself liable to the resultant consequences such as *ex-parte* assessment, interest for non-submission of a valid return, etc. The requirements which will have to be fulfilled in order to ensure that a return is not considered to be defective are mentioned in the *Explanation* to sub-section (9) given hereafter. It will, therefore, be in the interest of the assessee to conform to the specified requirements in order to avoid any penal actions consequent on the filing of a defective return.

However, where the defect is rectified after the expiry of 15 days or extended time allowed by the Assessing Officer but before the assessment is made, the Assessing Officer may condone the delay and treat the return as a valid return.

REQUIREMENTS TO BE FULFILLED UNDER EXPLANATION TO SECTION 139(9):

A return of income shall be regarded as defective unless all the following conditions are fulfilled:

(i) the annexures, statements and columns in the return of income relating to computation of income chargeable under each head of income, computation of gross total income and total income have been duly filled in;

(ii) the return is accompanied by a statement showing the computation of the tax payable on the basis of the return;

(iii) the return is accompanied by proof of the tax, if any, claimed to have been deducted at source and the advance tax and tax on self-assessment, if any, claimed to have been paid;

(iv) where regular books of account are maintained by the assessee, the return is accompanied by copies of—

(a) manufacturing account, trading account, profit & loss account or income and expenditure account or any other similar account and balance-sheet;

(b) in the case of a proprietary business or profession, the personal account of the proprietor; in the case of a firm or association of persons or body of individuals, personal accounts of the partners or members; and in the case of a partner or member of a firm or association of persons, etc., also his personal account in the firm or association of persons;

(v) where the accounts have been audited, the return is accompanied by: (1) copies of the audited profit and loss account, balance sheet and the auditor's report, (2) where an audit of cost accounts has been conducted u/s. 233B of the Companies Act, 1956, also the report under that section, and (3) where an audit has been conducted u/s. 44AB of the Income-tax Act, also the report under that section;

(vi) where regular books of account are not maintained by the assessee, the return is accompanied by—

(a) a statement indicating the amounts of turnover or gross receipts, gross profit, expenses and net profit of the business or profession and the basis on which such amounts have been computed; and

(b) the list of sundry debtors, sundry creditors, stock-in-trade and cash balance as at the end of the previous year.

(vi) Return by whom to be signed:

[Section 140]

The following persons should sign and verify the return of income:

(a) In the case of an individual—

(1) by the individual himself; or

(2) if he is absent from India, by a person duly authorised by him⁷; or

(3) if he is mentally incapacitated, by his guardian or any person competent to act on his behalf;

or

(4) if it is not possible for the individual to sign for any other reason, by a person duly authorised by him⁷.

(b) In the case of a Hindu undivided family, by the karta. If he is absent from India or is mentally incapacitated, by any other adult member of such family.

(c) In the case of a company, by the managing director. If for any unavoidable reason he is unable to sign or where there is no managing director, by any director. If the company is not resident in India, by a person holding a valid power of attorney which shall be attached to the return. If the company is in liquidation, by the liquidator referred to in section 178(1). If the company is taken over by the Central or State Government, by the principal officer thereof.

(d) In the case of a firm, by the managing partner. If for any unavoidable reason he is unable to sign or where there is no managing partner, by any partner who is not a minor.

(e) In the case of a local authority, by the principal officer thereof.

(f) In the case of a political party referred to in section 139(4B), by the chief executive officer of such party.

(g) In the case of any other association, by any member or principal officer of the association.

(h) In the case of any other person, by that person or by some person competent to act on his behalf.

4. KINDS OF ASSESSMENTS UNDER THE INCOME-TAX ACT, 1961

(i) Self-assessment:

(Section 140A)

Under section 140A(1), if any tax is payable on the basis of the return of income required to be furnished under section 139 or 142(1)(i)⁸ or 148, then, such tax shall be paid before the filing of the return and the return shall be accompanied by proof of payment of such tax (i.e. a copy of the self-assessment challan). Interest, if any, payable for delayed filing of return of income u/s. 234A [Refer item 1(a) on page 165] or for default or deferment in payment of advance tax u/s. 234B & 234C [Refer item (7)(i) & (ii) on pp. 281-283], such interest upto the date of furnishing the return also should be paid along with self-assessment tax. Where the amount paid as self-assessment falls short of tax and interest payable on the basis of return, the amount paid will be first adjusted against the interest and the balance, if any, against the tax payable.

For the failure to pay the self-assessment tax, the assessee would be deemed to be in default u/s. 140A(3) and recovery proceedings would be initiated against him. However, there is no provision to levy penalty for such default under the substituted section 140A(3).

(ii) Regular assessment:

(Sections 143 & 144)

Regular assessment means the assessment made under section 143(3) or section 144.

(A) ACCEPTANCE OF RETURN WITHOUT CALLING THE ASSESSEE:

[Section 143(1)]

On filing of the return of income, if any tax and/or interest is found due on the basis of return, an intimation will be sent to the assessee demanding payment thereof. If the refund is found due, it will be granted to the assessee. The intimation demanding payment of tax and/or interest cannot be sent to the assessee after the expiry of two years from the end of the relevant assessment year. For computing tax or interest payable by, or refundable to, the assessee, the following adjustments will be made in the income or loss declared in the return:

(1) any arithmetical errors in the return, accounts or documents accompanying it will be rectified;

7. Authorised person should hold a valid power of attorney to do so and the same should be attached to the return.

8. Self-assessment tax is also payable prior to filing of return of income in response to notice issued u/s. 142(1)(i) by the Assessing Officer on or after 27-9-91.

(2) any loss carried forward, deduction, allowance or relief, which on the basis of the information available in such return, accounts or documents, is *prima facie* admissible but which is not claimed in the return, will be allowed;

(3) any loss carried forward, deduction, allowance or relief claimed in the return, which, on the basis of the information available in such return, accounts or documents is *prima facie* inadmissible, will be disallowed. This will include non-filing of either certificate from an accountant/institution concerned or proof of payment of tax, cess and other liabilities mentioned in section 43B (refer page 110) along with the return of income. The certificate/proof, if filed later, the intimation will not also be rectified to allow the deduction [Circular No. 581, dt. 28-9-90. 186 ITR (St.) 2 & Circular No. 601, dt. 4-6-91. 190 ITR (St.) 4]. However, where evidence for payments referred to in the first proviso to section 43B (refer Note No. 5 on page 111), had been omitted to be furnished with the return, the Assessing Officer can entertain application u/s. 154 for rectification of the intimation u/s. 143(1)(a) or order u/s. 143(3) [Circular No. 669, dt. 25-10-1993. 204 ITR (St.) 105].

Where adjustments are made to the returned income as above, intimation will be sent to the assessee, even if no tax and/or interest is due after adjustments.

It may be noted that there is no assessment proper at this stage. It is merely acceptance of the return with or without adjustments. The intimation of tax, etc. due sent is deemed to be a demand notice.

If any variation to the returned income occurs due to:

- (a) Assessment u/s. 143(3) or 144,
- (b) Reassessment u/s. 147,
- (c) Rectification u/s. 154 or 155,
- (d) Appeals u/s. 250, 254, 260, or 262,
- (e) Revision u/s. 263 or 264,
- (f) Settlement u/s. 245D(4),

(g) in a partner's case, variation of income in firm's case due to any of the foregoing reasons (upto assessment year 1992-93),

intimation for tax and/or interest due will be sent to the assessee within 4 years from the end of the financial year in which the order mentioned above was passed. Refund, if any, arising due to such variation will be granted to the assessee.

Where as a result of the adjustments made referred in (1) to (3) above—

(A) the income declared by the assessee in the return is increased, the Assessing Officer will further increase the amount of tax payable u/s. 143(1) by an additional income-tax calculated at the rate 20% on the difference between the tax on total income so increased and the tax that would have been chargeable had such total income been reduced by the amount of adjustments and specify the additional income-tax in the intimation to be sent u/s. 143(1)(a)(i).

(B) the loss declared by the assessee in the return is reduced or is converted into income, the Assessing Officer will calculate a sum (i.e., additional income-tax) equal to 20% of the tax that would have been chargeable on the amount of adjustments as if it had been the total income of the assessee and specify the additional income-tax so calculated in the intimation to be sent u/s. 143(1)(a)(i).

Where the refund is due to the assessee in such cases, the refund will be reduced by the amount of additional income tax calculated under (A) or (B) above.

EXAMPLE: Income declared by Mr. A in the return of income for assessment year 1994-95 is Rs. 80,000. Income determined u/s. 143(1)(a) is Rs. 1,00,000 after the adjustment of Rs. 20,000 on account of inadmissible deduction which was claimed by Mr. A but which is *prima facie* inadmissible. The additional income-tax payable on the adjustment made is to be worked out as under:

Tax on Rs. 1,00,000 [Rs. 80,000 (returned income) plus Rs. 20,000 (adjustment)] (Refer page 213)	(A)	Rs. 19,000
Tax on Rs. 80,000 [Rs. 1,00,000 total income determined u/s. 143(1)(a) less Rs. 20,000 (adjustment)] (Refer page 213)	(B)	Rs. 13,000
Difference between tax on Rs. 1,00,000 (Refer A) and tax on Rs. 80,000 (Refer B) [i.e., Rs. 19,000 less Rs. 13,000]	(C)	Rs. 6,000
Additional income-tax @ 20% on the difference of Rs. 6,000 (Refer C)	(D)	Rs. 1,200
Aggregate of income-tax and additional income-tax on Rs. 1,00,000 total income [i.e., Rs. 19,000 (Refer A) plus Rs. 1,200 (Refer D)]	(E)	Rs. 20,200

If in the above example, instead of income, loss of Rs. 20,000 was declared in the return and the amount of adjustment was Rs. 60,000, then, additional income-tax payable is to be worked out as under:

Total income determined u/s. 143(1)(a) [Rs. 60,000 (being amount of adjustment made <i>less</i>		
Rs. 20,000 (being loss declared in return)]	Rs. 40,000	

As the loss declared in the return is converted into income, the amount of adjustment made Rs. 60,000 is deemed to be the total income and the additional income-tax and income-tax is to be computed as under:

Tax on Rs. 60,000 [being the amount of adjustment made is deemed to be the total income] Refer page 212)	(A)	Rs. 7,000
Additional income-tax @ 20% of Rs. 7,000 [Refer A]	(B)	Rs. 1,400
Income-tax on Rs. 40,000 [Total income determined u/s. 143(1)(a) (Refer page 211)]	(C)	Rs. 2,000
Aggregate of additional income-tax & income-tax on Rs. 40,000 total income [Rs. 1,400 (Refer B) plus Rs. 2,000 (Refer C)]	(D)	Rs. 3,400

The additional income-tax will be increased or reduced, if the amount on which such additional income-tax was levied is increased or reduced consequent to regular assessment u/s. 143(3) or rectification or appeal or revision orders. It may be noted that interest chargeable under sections 234A and/or 234B is not payable on the amount of additional income-tax [Vide Explanation 2 to section 234A(1) & Explanation 3 to section 234B(1)].

The procedure outlined above will equally apply to a revised return filed u/s. 139(5), after the issue of an intimation u/s. 143(1). The additional income-tax, if any leviable on the basis of revised return will also be levied, u/s. 143(1B). However, the additional income-tax already levied u/s. 143(1A) will not be reduced or cancelled on the basis that the assessee has shown the adjustments done u/s. 143(1)(a) in the revised return.

W.e.f. 1-10-1991, under Explanation to section 143, the intimation sent to the assessee u/s. 143(1) or 143(1B) has been made subject to the revisionary powers of the Commissioner u/s. 264 for granting relief to the assessee.

W.e.f. 1-6-1994, under the amendment of Explanation to section 143, the intimation sent to the assessee u/s. 143(1) or 143(1B) is also an appealable order for the purposes of section 246. The amended provision will apply to all intimations received by the assessee on or after 1-6-1994.

(B) ASSESSMENT AFTER HEARING THE ASSESSEE:

[Section 143(3)]

Where the Assessing Officer decides to scrutinise the return of income filed by the assessee, he will issue a notice under section 143(2) requiring the assessee either to attend his office or to produce, or to cause to be produced there, evidence in support of the return filed. Such a notice has to be served before the expiry of twelve months from the end of the month in which the return is furnished⁹. He may also call for the production of any accounts and documents by issuing notice under section 142(1).

It may be noted that having regard to the nature and complexity of accounts of the assessee and in the interests of the revenue, the Assessing Officer may direct the assessee, after obtaining previous approval of the Chief Commissioner or Commissioner to get the accounts audited by an accountant, nominated by the Chief Commissioner or Commissioner in this behalf, and to submit the report of such audit in the prescribed Form No. 6B duly signed and verified by such accountant [Section 142(2A)].

The assessment shall then be made under section 143(3) on the basis of evidence produced or report of audit, as the case may be. On the basis of such assessment, the Assessing Officer will determine the sum payable by the assessee. For this purpose, the tax and/or interest paid by the assessee u/s. 143(1) will be deemed to have been paid towards such regular assessment. Where it is found that excess refund has been granted u/s. 143(1), it shall be recovered, treating it as tax payable. The assessment so made is appealable.

(C) BEST JUDGMENT ASSESSMENT:

(Section 144)

This is an *ex-parte* assessment called the "best judgment assessment" and is made in the following circumstances:

- (i) failure to file return of income under section 139(1) or 139(4) or 139(5) of the Act; or
- (ii) failure to comply with all the terms of a notice under section 142(1); or failure to comply with directions issued under section 142(2A); or
- (iii) having filed the return of income, the assessee fails to comply with the terms of a notice issued under section 143(2).

9. Prior to 1-10-1991, such a notice has to be served before the expiry of the financial year in which the return is furnished or before the expiry of 6 months from the end of the month in which the return is furnished, whichever is later.

The Assessing Officer, after taking into account all relevant material and after giving the assessee an opportunity of being heard, will make the assessment to the best of his judgment and determine the sum payable by (and not refundable to) the assessee on the basis of such assessment. Where a notice under section 142(1) had been issued to the assessee prior to making of an assessment under section 144, then, notice of opportunity of being heard as stated above will not be given by the Assessing Officer.

(D) APPEAL AGAINST EX-PARTE ASSESSMENT:

(Sections 246 & 264)

The assessee will have the right to file an appeal against the *ex-parte* assessment to the Deputy Commissioner (Appeals)/the Commissioner (Appeals) under section 246 or to file revision application under section 264 to the Commissioner.

Section 249(4)(b) provides that an appeal against the *ex-parte* assessment order (where no return has been filed) shall not be admitted unless the assessee has paid an amount equal to the amount of advance tax which was payable by him.

This requirement can be waived by the Deputy Commissioner (Appeals)/Commissioner (Appeals) for any good and sufficient reasons, on an application being made by the appellant.

(iii) Reassessment:

(Sections 147 to 151)

Where the Assessing Officer has reason to believe that income assessable to tax has escaped assessment, he may reopen the relevant assessment, after recording his reasons for doing so, by issue of notice under section 148 calling upon the assessee to file a return. Under section 149, the time limit for issue of such notice is as under:

- (i) for assessment made u/s. 143(3) or 147¹⁰:
 - (a) if income escaping assessment is .. 4 years from the end of the relevant assessment year, less than Rs. 50,000
 - (b) if income escaping assessment is .. 7 years from the end of the relevant assessment year, Rs. 50,000 or more but less than Rs. 1,00,000
 - (c) if income escaping assessment is .. 10 years from the end of the relevant assessment year, Rs. 1,00,000 or more
- (ii) for any other assessment¹¹:
 - (a) if income escaping assessment is .. 4 years from the end of the relevant assessment year, less than Rs. 25,000
 - (b) if income escaping assessment is .. 7 years from the end of the relevant assessment year, Rs. 25,000 or more but less than Rs. 50,000
 - (c) if income escaping assessment is .. 10 years from the end of the relevant assessment year, Rs. 50,000 or more

(iv) Time limit for completion of assessment or reassessment:

(Section 153)

The time limit for the completion of assessment [under section 143 or 144] or assessment or reassessment [under section 147] is as under:

- (1) For assessment under section 143 or 144: assessment proceedings have to be completed within two years from the end of the relevant assessment year.

Illustration: Suppose the return of income for the assessment year 1994-95 is filed by the assessee on 9-12-1994, the Assessing Officer has to complete the assessment on or before 31-3-1997 provided notice u/s. 143(2) is served on or before 31-12-1995.

- (2) For assessment, reassessment or recomputation under section 147: assessment proceedings have to be completed within two years from the end of the financial year in which notice under section 148 was served.

10. In cases of assessments done u/s. 143(3) or 147, notice u/s. 148 can be issued: (1) by the Assessing Officer of the rank of Income-tax Officer with the approval of the Deputy Commissioner or (2) by the Assistant Commissioner or (3) by Deputy Commissioner, prior to the expiry of 4 years from the end of the relevant assessment year. After the expiry of the said 4 years, such notice can be issued with the prior approval of the Chief Commissioner or Commissioner [Section 151(1)].

11. In other cases, that is *ex-parte* assessment u/s. 144 or acceptance of return u/s. 143(1), the Assessing Officer or the Assistant Commissioner can issue the notice before the expiry of 4 years from the end of the relevant assessment year. After the expiry of the said 4 years, such notice can be issued with the prior approval of the Deputy Commissioner. The Deputy Commissioner, if he is the Assessing Officer, can issue the notice without any such prior approval, before the expiry of 10 years from the end of the relevant assessment year [Section 151(2)].

Section 153(2A) provides that where the original assessment made under section 144 is cancelled under section 146 or the original assessment is set aside or cancelled in appeal, then, the fresh assessment is to be made before the expiry of 2 years from the end of the financial year in which the original assessment was cancelled and in the case of assessment set aside in appeal, fresh assessment has to be completed before the expiry of 2 years from the end of the financial year in which the order of the Deputy Commissioner (Appeals)/Commissioner (Appeals) or Appellate Tribunal is received by the Commissioner or Chief Commissioner or in which the order in revision is passed by the Chief Commissioner or Commissioner.

(v) Rectification of mistake:

(Section 154)

Section 154 provides that with a view to rectifying any mistake apparent from the record an income-tax authority referred to in section 116 may—

(a) amend any order passed by it under the provisions of the Income-tax Act,

(b) amend any intimation sent by it u/s. 143(1), or enhance or reduce the amount of refund granted by it under that section,

within four years from the end of the financial year in which the order sought to be amended was passed.

With effect from 14-5-1992, the Assessing Officer should pass the rectification order, to amend any intimation sent by him u/s. 143(1), within three months from the end of the month in which the assessee has filed the rectification application. If the Assessing Officer does not pass the order within the said period, the assessee can file an appeal to the Deputy Commissioner (Appeals)/Commissioner (Appeals) under sections 246/249 read with proviso to section 154(2). In such cases, Board has clarified that, "the intimation u/s. 143(1) should be deemed to have been served on the assessee (for this limited purpose) on the date following the expiry of the period of 3 months mentioned in the proviso under section 154(2) and hence the limitation period of 30 days will start from that date [Vide Circular No. 668, dt. 20-10-1993. 204 ITR (St.) 104].

However, w.e.f. 1-6-1994, the proviso to section 154(2) has been omitted by the Finance Act, 1994. The Assessing Officer can therefore rectify intimation within the normal time limit of 4 years prescribed u/s. 154(7). As such, assesseees are advised to file an appeal u/s. 246 against the intimation.

Where the rectification has the effect of enhancing an assessment or reducing the refund originally granted or otherwise increasing the liability of the assessee, a show cause notice is required to be issued to the assessee before the order of rectification is passed.

Where application for rectification has been filed by the assessee within the statutory time limit but was not disposed off by the authority concerned within the specified time, it may be disposed off by that authority even after the expiry of the time limit [Circular No. 73 dated 7-1-1972. Refer 84 I.T.R. St. (4)].

5. MISCELLANEOUS

(i) Set off and carry forward of losses:

(Sections 70, 71, 71A & 72)

Loss under any source falling under any head of income is to be set off against income from any other source under the same head of income in the same assessment year. This will not apply to losses relating to speculation business and lotteries, crossword puzzles, races etc. [Section 70].

Assessment year 1992-93 onwards:

Loss under any source falling under any head of income (other than "Capital gains") is to be set off against income from any other source under any other head of income in the same assessment year [Substituted section 71(1)].

Where there is income under the head "Capital gains" and loss under any other head of income, the assessee has option either to set off of such loss against income under the head "Capital gains" (whether short-term or long-term) or not to claim such set off in the same assessment year [Substituted section 71(2)].

The loss under the head "Capital gains" (both short-term and long-term) will not be set off against income under any other head of income in the same assessment year [Substituted section 71(3)]. Short-term capital loss can be set off against long-term capital gain in the same assessment year. Long-term capital loss can be set off against short-term capital gain in the same assessment year. But, for the assessment year 1992-93, the long-term capital loss will be scaled down by the deductions specified in section 48(2), that is, by the initial deduction of Rs. 15,000 and the specified percentage of the balance as stated on page 124.

The loss under the head "Income from house property" can be set off against income under any other head in the same assessment year. However, for assessment years 1993-94 and 1994-95, loss from any house property [other than house property whose annual value is taken to be 'nil' u/s. 23(2)(a)(i)] cannot be set off against income under any other head in the same assessment year [Section 71(4)]. Unabsorbed loss under the

head "Income from house property" on account of payment of interest on borrowed capital therefor, referred to in section 24(1)(vi), relating to assessment years 1993-94 and 1994-95, will be carried forward to the following assessment years and set off against income from house property only [Section 71A]. However, section 71A has been substituted, w.e.f. 1-4-1995 (assessment year 1995-96). Under the substituted provision, such unabsorbed loss can be set off in assessment years 1995-96 and 1996-97 against the income under any head [Substituted section 71A].

Assessment years 1989-90 to 1991-92:

Loss under any head of income including loss in respect of short-term capital assets may be set off against income under any other head of income in the same assessment year. Long-term capital loss can be set off against short-term capital gain. It can also be set off against income under any other head in the same year. But the long-term capital loss will be scaled down by the deductions specified in the section 48(2), that is, by the initial deduction of Rs. 10,000 and the specified percentage of the balance as stated on page 124.

For assessment year 1989-90 and onwards, unabsorbed business losses in a previous year can be carried forward and set off against income in the subsequent previous year subject to certain conditions given hereunder:

- (a) Loss arising from business or profession can be carried forward and set off for eight succeeding assessment years; but only against profits and gains from business or profession;
- (b) The business or profession in which the loss occurred is continued to be carried on in the year or years in which the set off is claimed;
- (c) Where in addition to unabsorbed business loss, there is unabsorbed depreciation, effect should be given to unabsorbed business loss first;
- (d) The loss must have been determined in pursuance of a return filed within the time allowed u/s. 139(1); and
- (e) Loss in speculation business will be treated separately. Such losses can be set off only against speculation profit of eight succeeding assessment years as provided in section 73.

**(ii) Carry forward and set off of loss, etc. in cases of sick industrial units
amalgamating with other companies:**

(Section 72A)

Unabsorbed loss and unabsorbed depreciation of amalgamating company can be carried forward and set off against the profits of amalgamated company, subject to the following conditions:

- (a) the sick industrial unit was not financially viable due to liabilities, losses and other relevant factors;
- (b) amalgamation was in the public interest;
- (c) the amalgamated company furnishes along with the return of income a certificate from the specified authority that adequate steps have been taken for rehabilitation or revival of the business of the sick industrial unit;
- (d) the proposed scheme of amalgamation is submitted to the specified authority and if that authority is satisfied, after examining the scheme that the required conditions would be fulfilled, it would make a recommendation to the Central Government under section 72A(1);
- (e) such other conditions as may be specified by the Central Government.

The benefits available to the amalgamated company are:

- (1) in the year of amalgamation, the unabsorbed loss of the sick unit could be set off against the income of the amalgamated company under any head of income. This is so because the unabsorbed loss of the sick unit becomes the "current loss of the amalgamated company" in the year of amalgamation. Hence the provisions of section 71 will apply.
- (2) the amalgamated company can carry forward and set off the loss for eight succeeding assessment years, irrespective of the number of years for which the sick industrial unit itself has availed of the carry forward and set off [Sec. 72A(1)].

In respect of unabsorbed Investment allowance in such cases, the provisions of section 32A (6) will apply.

(iii) Speculation loss:

(Section 73)

Speculation loss can be set off in the same year only against the speculation profits. Unabsorbed speculation loss will be carried forward and set off against speculation profits of the subsequent assessment years upto 8 years. It may, however, be noted that loss under any other head of income [other than "Capital gains" from assessment year 1992-93 and onwards & "Income from house property" for assessment years 1993-94 and 1994-95], can be set off against the speculation profits in the same assessment year under section 71.

The business of purchase or sale of shares by companies (which are not investment, banking or financial companies) shall be treated as speculation business. The loss from such dealings can be set off only against profits or gains of a speculation business (Explanation to section 73).

In respect of speculation business, the assessee has an option as under:

either to set off the current speculation losses against current speculation profits
or

to set off the carried forward speculation loss of earlier years against current speculation profit and thereafter set off the other current speculation losses against the balance of current speculation profits [vide Circular No. 23 (XXXIX-4) D dated 12-9-1960].

(iv) Loss under the head "Capital gains":

(Section 74)

Assessment year 1992-93 & onwards:

Loss arising out of long-term capital asset and short-term capital asset will not be treated separately. Short-term capital loss will be set off only against income under long-term capital gain and not against any other head of income in the same assessment year. Long-term capital loss can be set off only against income under short-term capital gain and not against any other head of income in the same assessment year. For assessment year 1992-93, under section 48(3), long-term capital loss will be scaled down by the deductions specified in the section 48(2) [Refer chart on page 124].

Assessment years 1989-90 to 1991-92:

Loss arising out of long-term capital asset and short-term capital asset will not be treated separately. Under section 48(3), the loss relating to long-term capital asset [but not relating to short-term capital asset] will first be scaled down by the deductions available from the long-term capital gains under section 48(2) [Refer chart on page 124].

Reduced long-term capital loss will be set off against income under short-term capital gain and/or under any other head in the same year.

For assessment year 1989-90 and onwards, unabsorbed capital loss (short-term or long-term) which cannot be set off in the same year can be carried forward and set off against income from capital gains, both long-term and short-term. The unabsorbed loss can be carried forward for eight succeeding assessment years¹².

(v) Losses from races including horse races:

(Section 74A)

The loss arising from owning and maintaining race horses will be allowed to be set off in the same year from the income arising out of owning and maintaining race horses only.

The losses incurred by the owners of race horses in the activity of owning and maintaining such horses which cannot be wholly set off in the same year in which the loss is incurred against income from "races including horse races" are allowed to be carried forward under section 74A(3) and set off against income from the same source in subsequent years upto a period of four assessment years immediately following the assessment year for which the loss is first computed.

(vi) Losses of registered firms or unregistered firms assessed as registered firms:

(Sections 75 & 76)

Upto assessment year 1992-93:

The above two types of assessee cannot carry forward the following losses in their own hands. Only the partners can carry forward the unabsorbed losses in respect of:

- (a) unabsorbed business loss,
- (b) unabsorbed depreciation,
- (c) unabsorbed capital expenditure in scientific research,
- (d) unabsorbed expenditure on promotion of family planning.

The other losses viz. Development Allowance, Investment Allowance, and the deficiency in the tax holiday profits under section 80J(3), will however be carried forward in the hands of the firm itself.

The loss of an unregistered firm which is assessed as a registered firm in the subsequent year is to be carried forward and set off against the income of the registered firm but the proportionate share of loss of a retiring or deceased partner, will not be allowed as a set off against the income of such firm. Refer example given under item (vii) hereafter.

Section 75 is substituted and section 76 has been omitted, w.e.f. 1-4-1993 (assessment year 1993-94 and onwards), consequent to the new scheme of assessment of firms. For details, refer item (viii) on page 160.

¹² If the set off of unabsorbed long-term capital loss, relating to assessment year 1987-88 and earlier years, is claimed in the assessment year 1988-89 or later years, such loss, upto assessment year 1992-93, will be reduced by the deduction u/s. 48(2) and the balance will be set off for four assessment years immediately succeeding the assessment year for which the loss was first computed.

(vii) Losses of unregistered firms & their partners:

[Sections 77 & 78]

Upto assessment year 1992-93:

Loss of an unregistered firm is not to be allocated amongst the partners of the firm, as they are not entitled to set off of such loss against their personal income but shall be carried forward and set off against the income of the firm in the subsequent assessment year. However, the proportionate share of the loss of a partner who has retired or who had died will not be carried forward.

EXAMPLE: The income of an assessee being an unregistered firm for the assessment year 1991-92 has been assessed at a loss of Rs. 60,000. The firm consists of four partners A, B, C & D with equal shares. During the previous year relevant to the assessment year 1992-93, partner D has retired and in his place E has been taken up as a partner with the same share. For the assessment year 1992-93 the firm is assessed as a registered firm on an income of Rs. 1,15,000 without set off of the loss of the preceding year. The net assessable income for the assessment year 1992-93 will be as worked out as under:

Income for the assessment year 1992-93	.. .. .	Rs. 1,15,000
Less: Assessed loss for the assessment year 1991-92	.. .. .	Rs. 60,000
Less: Share of partner D who has retired	.. .. .	Rs. 15,000
Total income of the firm for the assessment year 1992-93	.. .. .	Rs. 70,000

The income of Rs. 70,000 will be apportioned amongst the partners A, B, C & E in accordance with their shares.

Section 77 has been omitted and section 78(1) has been substituted, w.e.f. 1-4-1993 (assessment year 1993-94 and onwards), consequent to new scheme of assessment of firms. For further details, refer item (viii) hereafter.

(viii) Losses of firms & their partners:

[Substituted section 75 & amended section 78]

Assessment year 1993-94 & onwards:

Unabsorbed loss (apportioned to a partner), if any, of the firm relating to assessment year 1992-93 and earlier years which could not be fully set off in the hands of partner upto assessment year 1992-93, will be set off against the income of the firm in assessment year 1993-94 and subsequent years. This is subject to the condition that the said partner continues in the said firm and that such set off is in accordance with sections 70, 71, 72, 73, 74 & 74A [Substituted section 75].

The loss of firm relating to assessment year 1993-94 and subsequent years, will be set off only in the hands of the firm. However, share relatable to an outgoing partner, either by retirement or death, will be excluded for the purposes of such setting off [Substituted section 78(1)].

(ix) Closely-held companies where change in shareholding has taken place:**(Section 79)**

Unabsorbed loss of closely-held companies relating to earlier previous years will not be set off in a previous year where a change in shareholding has taken place unless in the said previous year, shares carrying atleast 51% of voting power are beneficially held on the last day thereof by the persons who held shares to the similar extent in the previous year in which the unabsorbed loss was incurred. However, change in shareholding in a previous year consequent upon death of a shareholder or transfer of shares by way of gift made by a shareholder to his relative, will not be taken into account for this purpose.

(x) Priorities in carry forward and set off of losses and allowances:

The following priorities in the carry forward and set off of losses and allowances will have to be observed:

- (i) Current scientific research capital expenditure [Section 35(1)].
- (ii) Current depreciation [Section 32(1)].
- (iii) Brought forward business/profession losses [Section 72(1)].
- (iv) Unabsorbed family planning promotion expenditure [Section 36(1) (ix)].
- (v) Unabsorbed depreciation [Section 32(2)].
- (vi) Unabsorbed scientific research capital expenditure [Section 35(4)].
- (vii) Unabsorbed development allowance [Section 33A(2)(ii)].
- (viii) Current development allowance [Section 33A(2)(i)].
- (ix) Unabsorbed investment allowance [Section 32A(3)(ii)].
- (x) Current investment allowance [Section 32A(3)(i)].

(xi) Procedure for registration of firm:

(Sections 184 & 185)

UPTO ASSESSMENT YEAR 1992-93¹³:

(a) An application under section 184 for registration of a firm under the Income-tax Act is to be made to the Assessing Officer having jurisdiction over the firm, if—

- (1) the firm is evidenced by a deed of partnership [Section 184(1)(i)];
- (2) the individual shares of the partners are specified in the partnership deed [Section 184(1)(ii)];
- (3) the application for registration is made before the end of the previous year for the assessment year in respect of which registration is sought [Section 184(4)]; and
- (4) the application for registration is personally signed by all the partners (not being minors) in the firm as constituted at the date of the application and in the case of dissolved firm, the application should be signed by all persons (not being minors) who were partners in the firm before its dissolution and by the legal representative of the deceased partner. If any partner is absent from India, the application may be signed by any person specifically authorised by him in this behalf [Section 184(3) read with the Explanation].

(b) Where an application for registration is made after the end of the previous year for the assessment year for which registration is sought, the delay in the submission of the application can be condoned by Assessing Officer if he is satisfied about the sufficiency of the reasons for the delay [Proviso to section 184(4)].

(c) Where there is no change in the constitution of the firm or shares of the partners during the relevant previous year, the application for registration should be made in Form No. 11 before the end of the previous year and should be accompanied by the original or certified copy of the deed of partnership [Rule 22(2)(i)].

(d) Where the application for registration is made after the expiry of the previous year but no change in the constitution of the firm or the shares of the partners has occurred upto the date of making the application, the application should be made in Form No. 11 and should be accompanied by original or certified copy of the deed of partnership [Rule 22(4)(i)].

(e) Where any change or changes have occurred in the constitution of the firm or the shares of the partners during the relevant previous year before the date of the application, the application for registration should be submitted in Form No. 11A before the end of the previous year along with the original or certified copies of the deeds of partnership in force from time to time in that year upto the date of the application [Rule 22(2)(ii)].

Under the existing provisions of section 187(2), change in the constitution of the firm occurs where:

- (1) one or more of the partners cease to be partners or one or more new partners are admitted in such circumstances that one or more of the persons who were partners of the firm before the change continue as partner or partners after the change; or
- (2) there is a change in the share of some or all the partners and all the partners continue before and after the change in shares.

Where a firm is dissolved on the death of a partner it will not be treated as a change in the constitution of the firm under section 187(2) (a) [Refer proviso to section 187(2)]. If, in such a case, the surviving partners continue the business of the firm, it will not be treated as change in constitution but succession, provided the firm was dissolved on death of partner. The result will be that two separate assessments will have to be made, treating it as two separate firms in pursuance of provisions contained in section 188. The firm's income of the period before death and after death of partner cannot be clubbed and assessed to tax. The surviving partners will have to file Form No. 11 together with original or certified copy of deed of partnership and not Form No. 11A.

However, it may be noted that even after death of any partner, partnership can be continued if the partnership deed specifically provides that the firm shall not be dissolved on the death of any partner. In such cases, it will be treated as a change in constitution and not succession.

(f) Where after making the application in Form No. 11 or 11A before the end of the relevant previous year as required under Rule 22(2) (i) or 22(2)(ii), any change or changes in the constitution of the firm or shares of the partners have taken place during the previous year, a fresh application in Form No. 11A should be submitted after each such change takes place along with the original or certified copies of the partnership deeds in existence at the date of the application [Rule 22(3)].

(g) Where no application for registration has been submitted before the expiry of the relevant previous year and any change or changes in the constitution of the firm or shares of the partners have taken place during the relevant previous year and/or after the end of the previous year but before the date of application, the application should be in Form No. 11A and should be accompanied by the original or certified copies of the deeds of partnership which were in existence from time to time during the previous year and upto the date of the application [Rule 22(4)(ii)].

GRANT OF REGISTRATION OF FIRMS¹⁴:

(Section 185)

On receipt of an application for registration, the Assessing Officer shall enquire into the genuineness of the firm and its constitution. If the application for registration is not in order, the Assessing Officer shall intimate the defect in the application to the firm and give it an opportunity to rectify the same within one month from the date of such intimation and if the defect is not rectified within that period, he shall pass an order rejecting the application.

13. From assessment year 1993-94 and onwards, a new scheme of assessment of firms has been prescribed. For further details, refer item (xii) on page 163.

Under the Explanation to section 185(1), a firm shall not be regarded as a genuine firm if—

(a) any partner of the firm was, at any time during the previous year, a benamidar of any other partner to whom he does not bear the relationship of a spouse or minor child; or

(b) any partner is an undisclosed benamidar of an outsider and such fact was within the knowledge of any other partners which has not been communicated to the Assessing Officer in the prescribed Form No. 12A.

Such communication, as required under Rule 24A (Form No. 12A) is to be made,—

(1) where the firm has not been registered under section 184, before the end of the previous year for the assessment year for which the registration is sought;

(2) where the registration of the firm has effect under section 184(7) for any assessment year, before the expiry of the time allowed u/s. 139(1) for furnishing the return of income for that assessment year.

However, where karta or a coparcener of a Hindu undivided family is a partner, he need not be considered as benamidar of the family and there is no need to file Form No. 12A. The filing of Form No. 12 will be sufficient for this purpose [Vide circular No. 224 Dt. 22-6-77. 108 ITR (S.) 22].

If the Assessing Officer is satisfied about the genuineness of the firm and its constitution, he will grant registration to the firm for the assessment year. Thereafter, the assessee has only to file a declaration under section 184(7) in Form No. 12 for continuation of registration for every subsequent assessment year (upto assessment year 1992-93) provided there is no change in the constitution of the firm or the shares of the partners as evidenced by the deed of partnership on the basis of which the registration was granted. Such declaration in Form No. 12 is to be furnished at any time before the expiry of the time allowed for furnishing the return. If there is any change, the firm has to make fresh application in Form No. 11A before the end of the previous year in which the change has taken place along with the prescribed enclosures.

DEEMED REGISTRATION OF FIRMS¹⁴:

[Section 185(6)]

Where a firm has filed an application for registration and the return of income is in relation to assessment years 1989-90 to 1992-93, such firm will be deemed to have been registered u/s. 185 on the expiry of the period for serving notice as specified in the proviso to sub-section (2) of section 143 in respect of such return [For the period specified in the said proviso, refer item (B) on page 155]. Such deemed registration will continue to have effect in subsequent assessment years also, provided the firm has filed Form No. 12 u/s. 184(7). Defect, if any, in the application can be intimated by the Assessing Officer [Refer "Grant of Registration of Firms" on page 161] to the assessee, even in such cases of deemed registration. This provision has been made to cover cases where return is to be accepted u/s. 143(1).

WHERE AN APPLICATION FOR REGISTRATION FOR AN EARLIER ASSESSMENT YEAR IS PENDING¹⁴:

Where an application for registration has been filed but such application has not been disposed off by the Assessing Officer, it will be advisable for the firm to file an application for registration for every subsequent assessment year (upto assessment year 1992-93) and also declaration in Form No. 12 to avoid the benefit of registration for subsequent year or years being denied on the technical ground that declaration in Form No. 12 for continuation of registration is not valid since the firm has not been granted registration when the declaration in Form No. 12 was made.

ASSESSMENT OF REGISTERED FIRMS¹⁴:

(Section 182)

- (i) The total income of a registered firm is to be first determined.
- (ii) The tax payable by the firm itself on its total income shall then be determined.
- (iii) The tax payable by a registered firm is to be deducted from its total income and the balance apportioned amongst the partners according to their profit or loss sharing proportions. Refer example given on page 371 of I.T.R.R. 1992-93.
- (iv) If the share income of a partner is a loss, it will be set off against his other income or carried forward and set off as provided in sections 70 to 75 [Section 182(2)].
- (v) When any of the partners of a registered firm is a non-resident, the tax on his share income shall be assessed on the firm at the rates applicable to his total income and the tax so assessed shall be paid by the firm [Section 182(3)].
- (vi) A registered firm can retain out of the share income of each partner, a sum equivalent to 30% of such share income until such time as the tax levied on the partner in respect of his share income is paid by him. Where the tax so levied cannot be recovered from the partner, wholly or in part, the firm shall be liable to pay the tax to the extent of the amount retained or could have been so retained [Section 182(4)].

The tax payable by the firm shall also include the tax which could have been retained by the firm out of the share income of each partner @ 30% as required under section 182(4) before or after the discontinuance or dissolution of the firm [Explanation to section 189(3)].

This means, where a partner fails to pay tax on his share, the other partners shall be liable to pay the tax to the extent not exceeding 30% of the share income of such partner.

With effect from 1-4-1989, the liability of a firm to pay tax, penalty or any other sum for an assessment year can be recovered from any or all the persons, who were, during the previous year relevant to assessment year, partners and the legal representative of any such partner who is deceased (Section 188A).

14. Refer footnote No. 13 on page 161.

ASSESSMENT OF UNREGISTERED FIRMS ^{14a}.

(a) In the case of an unregistered firm, tax is payable u/s. 183(a) by the firm itself on its total income. The share income of each partner (share of loss to be ignored vide section 77) will be included in his individual assessment only for rate purposes and rebate will be allowed on such share income u/s. 86(iii).

(b) An unregistered firm will be treated as registered firm if the tax payable by the firm if assessed as registered firm, taken together with the tax payable by the partners on their total income (inclusive of share income in the firm so assessed) is greater than the tax payable by the firm as unregistered firm and tax payable by the partners [Section 183(b)].

(xii) New scheme of assessment of firms and its partners**Assessment year 1993-94 and onwards:**

[Sections 2(24), 2(39), 2(48), 10(2A), 15, 28, 32, 40(b), 64(1), 67, 75 to 78, 80A, 86, 139, 143, 155, 158, 167A, 182 to 187, 189, 189A, 194A(3), 246, 247 & 267 amended/inserted/omitted/substituted].

Salient features of new scheme are—

1. There will be no distinction between registered firm and unregistered firm. There is therefore, no need to apply for registration by filing Form No. 11 and for continuation of registration by filing Form No. 12.

2. All firms, which are assessable as firms, will be charged to tax at maximum marginal rate from assessment year 1993-94 and onwards under newly inserted section 167A [For assessment years 1993-94 and 1994-95, the said rate is 40% as I.T. plus S.C. on I.T. @ 12% where the taxable income exceeds Rs. 1,00,000]. For the purposes of payment of advance tax during the financial year ending on 31-3-1995, refer Paragraph C of Part III of the Schedule I to the Finance Act, 1994 on page 31.

3. Substituted section 184 provides that a firm shall be assessed as a firm if the partnership is evidenced by partnership deed and individual shares of the partners are specified in such deed. A true copy of such partnership deed certified and signed by all the partners (excluding minors) should be filed along with the *first return of income*. Once a partnership firm is assessed as a firm for any assessment year, it will continue to be assessed as a firm for subsequent years till a change in constitution of the firm or share of the partners takes place. Where a change takes place in the constitution of the firm or the share of the partners, the procedure to be followed is the same as in the case of a new firm i.e., a true copy of partnership deed certified and signed by all the partners (excluding minors) should be filed along with the return of income of the relevant assessment year.

4. For failure to follow the prescribed procedure (as in Para 3 above) in relation to any assessment year, the firm shall be assessed as an association of persons for that assessment year as per newly inserted section 185. In any assessment year where there is any default on the part of a firm as is mentioned in section 144, the firm will be assessed as an association of persons for that year.

5. As far as assessments of assessment year 1992-93 and earlier years are concerned the law as it stood immediately prior to 1-4-1993 will continue to apply [Vide newly inserted section 189A].

6. In computing the income of the firm, any payment of salary, bonus, commission or remuneration, by whatever name called (hereinafter referred to as remuneration) to any partner who is not a working partner will be disallowed under the substituted section 40(b). Subject to Para 8, even in respect of working partners^{15/16}, ceilings for remuneration have been prescribed as under. Any payment in excess of this ceiling will be disallowed in the hands of the firm:

(1) For professional firms referred to in section 44AA¹⁷:

- (a) on the first .. Rs. 50,000 or at the rate of Rs. 1,00,000 of 90% of the book-profit¹⁸, whichever is more;
- (b) on the next .. at the rate of 60%; Rs. 1,00,000 of the book-profit¹⁸
- (c) on the balance of .. at the rate of 40%; the book-profit¹⁸

(2) For firms other than professional firms:

- (a) on the first .. Rs. 50,000 or at the rate of Rs. 75,000 of the 90% of the book-profit¹⁸, whichever is more;
- (b) on the next .. at the rate of 60%; Rs. 75,000 of the book-profit¹⁸
- (c) on the balance of .. at the rate of 40%; the book-profit¹⁸

14a. Refer footnote No. 13 on page 161.

15. "Working partner" means an individual who is actively engaged in conducting the affairs of the business or profession of the firm of which he is a partner [Explanation 4 to section 40(b)].

16. The Board has clarified vide Para 48.7 of Circular No. 636 dated 31-8-1992 [198 ITR (St.) 44] that "The Assessing Officers who invoke the provisions of section 40A(2) in any case, must keep in mind the assurance given by the Finance Minister in his speech dated 30-4-1992 in Parliament during the budget discussion." The assurance given by the Finance Minister is—

"There seems to be some apprehension that the provisions of section 40A(2) of the Income-tax Act, may be indiscriminately resorted to by the Assessing Officer to make disallowance out of salary paid to the partners as being excessive. The Central Board of Direct Taxes will be asked to issue instructions to the Assessing Officers so as to ensure that this power is not used in the case of small firms and even otherwise, it should be used sparingly".

17. Profession referred to in section 44AA(1) is legal, medical, engineering or architectural profession or profession of accountancy or technical consultancy or interior decoration or any other notified profession (i.e. authorised representative and film artist).

18. "Book-profit" means the net profit, as per the profit and loss account, computed under sections 28 to 44D of the Income-tax Act. The remuneration paid or payable to partners, if debited to the profit and loss account, will have to be added back to the net profit [Explanation 3 to section 40(b)]. Refer example on page 219.

7. Subject to Para 8, as far as payment of interest to any partner is concerned, any payment in excess of interest calculated at the rate of 18% p.a. simple interest will be disallowed under section 40(b)(iv).

8. It may be noted that payment of remuneration to working partners^{18a} and interest to the partners as explained in Para 6 & 7 above should be authorised by the partnership deed. If such payments are not so authorised, then such payments will be disallowed u/s. 40(b) in computing the income of the firm. Where such payments are duly authorised by and are in accordance with the terms of partnership deed, same will be allowed as deduction only for a period beginning with the date of the partnership deed and not for any earlier period. However, under proviso to section 40(b) for the previous year relevant to assessment year 1993-94, such interest or remuneration would be allowed if the partnership deed provides for such payment at any time during the said previous year. Thus, for the previous year relevant to assessment year 1993-94, the terms of the partnership deed can have retrospective operation.

9. The existing Explanations 2 and 3 to section 40(b) have been reproduced in the newly inserted section 40(b) as Explanation 1 and 2. Under Explanation 1, where an individual is a partner in a representative capacity, for example, as Karta of H.U.F., then, the interest paid to him in his individual capacity will not be disallowed. The interest paid to the person so represented by the partner, i.e., H.U.F., will be disallowed subject to the provisions of section 40(b)(iv). Under Explanation 2, where a partner is paid interest on behalf of, or for the benefit of, any other person, such interest will not be disallowed. For example, if a partner is paid interest as a trustee or a guardian for another person, that interest will not be disallowed.

The existing Explanation 1, however, does not find a place in the recast section 40(b). The said Explanation deals with disallowing net interest (i.e. interest paid by the firm to partner as reduced by the interest received by the firm from him). In the absence of such an Explanation, gross interest paid by the firm to partner will be disallowed under new section 40(b), if it exceeds the prescribed limit of 18% p.a. simple interest.

10. For notes in respect of "Losses of firms and their partners", refer item (viii) on page 160.

11. Any interest, salary, bonus, commission or remuneration, by whatever named called, due to, or received by, a partner from firm, will be assessed in the hands of the partner. These have been treated as income under the newly inserted section 2(24)(ve). The salary received by partners will not be treated as salary income as per amended section 15 and hence deduction u/s. 16(i) cannot be availed of. Instead, both remuneration and interest will be assessed as business/professional income in the hands of partner under newly inserted section 28(v).

In the assessment of partner, his share in the total income of the firm will be exempt under newly inserted clause (2A) in section 10 from assessment year 1993-94 and onwards. Explanation to this clause states that share of a partner in a firm shall be computed by dividing the assessed income of the firm in the same proportion as the profit sharing ratio mentioned in the partnership deed. It may be noted that assessed income and not the net profit as per books of account of the firm has to be taken into account for the purpose of exemption.

Salary, interest, etc. received by the partner from the firm will be assessable as business income in his hand under section 28(v). The partner, therefore, can claim any expenses wholly and exclusively incurred by him for the purpose of the business of the firm. It may also be noted that remuneration and/or interest to partners in excess of the prescribed ceiling limit will be disallowed in the hands of the firm u/s. 40(b) and taxed there at the maximum marginal rate. In such a case the amount of salary, remuneration, etc. and/or interest so disallowed will be reduced from the salary, remuneration, etc. and/or interest assessable in the hands of the partner [Proviso to section 28(v)]. Refer example 2 on page 219.

12. Under section 187(2), change in the constitution of the firm occurs where:

(1) one or more of the partners cease to be partners or one or more new partners are admitted in such circumstances that one or more of the persons who were partners of the firm before the change continue as partner or partners after the change; or

(2) there is a change in the share of some or all the partners and all the partners continue before and after the change in shares.

Where a firm is dissolved on the death of a partner it will not be treated as a change in the constitution of the firm under section 187(2)(a) [Refer proviso to section 187(2)]. If, in such a case, the surviving partners continue the business of the firm, it will not be treated as change in constitution but succession, provided the firm was dissolved on death of partner. The result will be that two separate assessments will have to be made, treating it as two separate firms in pursuance of provisions contained in section 188. The firm's income of the period before death and after death of partner cannot be clubbed and assessed to tax. The surviving partners will have to file certified copy of deed of partnership as explained in Para 3 on page 163.

However, it may be noted that even after death of any partner, partnership can be continued if the partnership deed specifically provides that the firm shall not be dissolved on the death of any partner. In such cases, it will be treated as a change in constitution and not succession.

18a. Refer footnote No. 15 on page 163.

13. The liability of a firm to pay tax, penalty or any other sum for an assessment year can be recovered from any or all the persons, who were, during the previous year relevant to assessment year, partners and the legal representative of any such partner who is deceased (Section 188A).

(xiii) Interest payable & receivable by an assessee:

Under the Income-tax Act, interest is chargeable from the assessee in respect of certain defaults. The assessee is also entitled to receive interest in certain cases.

The various sections under which interest is payable or receivable by the assessee are as per chart on page 169.

Upto 30-9-1984, the rate of interest was 12% per annum. With effect from 1-10-1984, this rate has been enhanced to 15% per annum. Accordingly, interest shall be calculated at 12% per annum upto period ending on 30-9-1984 and at 15% per annum from 1-10-1984 and onwards.

From assessment year 1989-90 and onwards, interest payable under section 139 or 215, 216 and 217 will be leviable under newly inserted section 234A or 234B and 234C respectively. Section 213 has been omitted. Interest on refunds will be under newly inserted section 244A instead of under section 243 and 244. Rates of interest have been increased from 15% p.a. to 2%/1½%¹⁹ for every month or part of a month.

The circumstances under which the liability to pay interest or the right to receive interest arises are explained hereunder.

1. INTEREST PAYABLE BY ASSESSEE:

(a) For delay or failure in furnishing the return of income under section 234A:

ASSESSMENT YEAR 1989-90 AND ONWARDS:

[Section 234A]

Where a return of income under section 139(1) or section 139(4) or in response to notice under section 142(1), is furnished after the 'due date' as specified in the Explanation to section 139(1), or is not furnished, the assessee shall be liable to pay mandatory simple interest at the rate of 2% for every month or part of a month from the date immediately following the due date:

(1) to the date of furnishing the return of income; or

(2) where no return has been furnished, to the date on which assessment is completed u/s. 144.

The 'due date' for furnishing the return of income and the date from which interest is leviable are as under:

(A) From assessment year 1994-95 and onwards:

	<i>'Due date' specified for filing the return of income</i>	<i>Period for which interest is chargeable</i>
(1) Where the assessee is a company	30th November of the assessment year	From 1st December of the assessment year to the date of furnishing the return of income
(2) Where the assessee is a person other than a company:		
(a) (i) who is required to get his accounts audited under the Income-tax Act or any other law, or (ii) where the report of an accountant is required to be furnished u/s. 80HHC or 80HHD, or (iii) a co-operative society	31st October of the assessment year	From 1st November of the assessment year to the date of furnishing the return of income
(b) deriving income from business or profession and is not required to get his accounts audited as stated in (2)(a)	31st August of the assessment year	From 1st September of the assessment year to the date of furnishing the return of income
(c) In any other case other than (1), (2)(a) and 2(b) above	30th June of the assessment year	From 1st July of the assessment year to the date of furnishing the return of income
(3) Where no return is furnished	From 1st December, or 1st November, or 1st September or 1st July, as the case may be, to the date of completion of assessment u/s. 144.	

(B) For assessment years 1991-92 to 1993-94:

(1) Where the assessee is a company	31st December of the assessment year	From 1st January of the assessment year to the date of furnishing the return of income
-------------------------------------	--------------------------------------	--

19. W.e.f. 1-10-1991, interest on refunds u/s. 244A has been reduced from 1½% to 1% for every month or part of a month.

	<i>'Due date' specified for filing the return of income</i>	<i>Period for which interest is chargeable</i>
(2) Where the assessee is a person, other than a company:		
(a) (i) who is required to get his accounts audited under the Income-tax Act or any other law, or (ii) upto assessment year 1992-93, in the case of a partner of a firm where the accounts of the firm are required to be so audited ²⁰ , or (iii) where the report of an accountant is required to be furnished u/s. 80HHC or 80 HHD, or (iv) a co-operative society.	31st October of the assessment year	From 1st November of the assessment year to the date of furnishing the return of income
(b) deriving income from business or profession and is not required to get his accounts audited as stated in 2(a) ²⁰	31st August of the assessment year ²⁰	From 1st September ²⁰ of the assessment year to the date of furnishing return of income
(c) in any other case other than (1), 2(a) & 2(b)	30th June of the assessment year	From 1st July of the assessment year to the date of furnishing the return of income
(3) Where no return is furnished	From 1st January or 1st November or 1st September ²⁰ or 1st July, as the case may be, to the date of completion of assessment u/s. 144.	

EXAMPLE: For the assessment year 1994-95 Mr. A has income from proprietary business. Due date for furnishing the return of income is 31-8-1994. He files the return of income on 4-1-1995 declaring income of Rs. 60,000. Advance tax paid and tax deducted at source is Rs. 6,350. The interest payable under section 234A for delay in furnishing the return of income together with self-assessment tax payable u/s. 140A will be as under:

Due date of furnishing the return	31-8-1994
Delay in filing the return of income from 1-9-1994 to 4-1-1995	4 months & 3 days
Tax on Rs. 60,000	Rs. 7,000
Less: Advance tax paid and tax deducted at source	Rs. 6,350
Net tax due under section 140A	
Add: Mandatory interest @ 2% for every month or part of a month on Rs. 600 (and not on Rs. 650 ²¹)	Rs. 650
i.e. @ 2% for 5 months [4 months + 3 days (part of a month to be considered as a month)]	Rs. 60
Total of tax u/s. 140A including interest payable u/s. 234A is	Rs. 710

It may be noted that along with self-assessment tax payable under section 140A, the assessee is required to pay interest: (a) under section 234A for delay in furnishing the return of income, and/or (b) under sections 234B/234C for defaults in payment of advance tax. In short, assessee will have to compute the interest, if any, payable under sections 234A or 234B or 234C and pay the same along with the self-assessment tax under section 140A before filing the return of income. For the purpose of computing the interest payable u/s. 140A, tax on total income as declared in the return will be taken into account. Further, interest payable u/s. 234A(1) will be reduced by the interest, if any, paid along with self-assessment tax towards the interest chargeable u/s. 234A.

The interest is chargeable on the net amount of tax payable under section 143(1) or on regular assessment, i.e. total tax as reduced by advance tax paid and/or any tax deducted or collected at source, but excluding any self-assessment tax paid. The additional income-tax, if any, payable under section 143(1A) will not be taken into account for computing the interest [Vide Explanation 2 to section 234A(1)].

The interest payable for late filing of return of income cannot be waived or reduced as the provisions contained in the then proviso to section 139(8)(a) is not incorporated in section 234A and hence Rule 117A will not apply in respect of return of income for assessment year 1989-90 and onwards.

Where a return of income is furnished in response to notice under section 148, in a case where the income has been determined u/s. 143(1) or assessment has already been completed, after the expiry of time allowed under such notice, the interest at the rate of 2% for every month or part of a month will be chargeable from the day immediately following the expiry of time allowed under such notice to the date of furnishing the return. However, if the return is not furnished, then, such interest will be charged upto the date of completion of reassessment or recomputation under section 147. Tax for this purpose will be the tax determined on earlier regular assessment under section 143(3).

20. For assessment year 1993-94, due date for filing return of income, in the case of a working partner entitled to receive remuneration as a proportion (i.e. %) of book-profits of the firm whose accounts are required to be audited u/s. 44AB, is extended to 31-10-1993 [Notification No. S.O. 1986, dt. 26-8-1993. 205 ITR (St.) 78]. Consequently interest chargeable u/s. 234A will be from 1-11-1993 instead of 1-9-1993.

21. For rounding off of the amount on which interest is to be calculated, refer Rule 119A on page 169.

If the amount of tax on which interest has been charged for late filing of return of income is increased or reduced as a result of any rectification, appeal, revision or settlement, the interest will also be increased or reduced accordingly.

(b) *Interest chargeable for defaults in payment of advance tax:*

ASSESSMENT YEAR 1989-90 AND ONWARDS:

[Sections 234B and 234C]

Interest in respect of: (1) defaults in payment of advance tax will be levied under section 234B at the rate of 2% for every month or part of a month [For further details, refer sub-item (i) of item (7) on pp. 281-282], and (2) sub-item (ii) of item (7) on pp. 282-283].

(c) *Interest payable by assessee on delayed payment of tax other than advance tax:*

[Section 220(2)]

If an assessee fails to pay any tax, penalty, etc., within 30 days²² from the date of receipt of the notice of demand issued under section 156, he shall be liable to pay interest on the outstanding demands at the rate of 1½%²³ for every month or part of a month for the period of default after 31-3-1989.

Illustration: An assessee was served with a notice of demand for Rs. 8,000 on 1-9-1993. He was allowed to pay the tax in four equal instalments of Rs. 2,000 each on 1-10-1993, 1-11-1993, 1-12-1993 and 1-1-1994 and pays accordingly. What will be the interest payable by him on delayed payments?

Notice of demand served on	1-9-1993
Demand payable within 30 days, i.e., by	1-10-1993
Demand	Rs. 8,000
Less: Paid on 1-10-1993	Rs. 2,000
	<u>Rs. 6,000</u>
(i) Interest on Rs. 6,000 for one month from 1-10-1993 to 31-10-1993 @ 1½% per month.. .. .	Rs. 90
(ii) Interest on Rs. 4,000 (Rs. 6,000 less Rs. 2,000 paid on 1-11-1993) for one month from 1-11-1993 to 30-11-1993 @ 1½% per month.. .. .	Rs. 60
(iii) Interest on Rs. 2,000 (Rs. 4,000 less Rs. 2,000 paid on 1-12-1993) for one month from 1-12-1993 to 31-12-1993 @ 1½% per month.. .. .	Rs. 30
Total interest payable	<u>Rs. 180</u>

- Notes:**
- Interest under section 220(2) is payable on delayed payments irrespective of whether extension of time for making the payment has been granted or not.
 - Interest charged under section 220(2) is to be reduced in consequence of any reduction in tax as a result of any appeal, rectification or revision.
 - Interest under section 220(2) is not chargeable in respect of delayed payments of advance tax. For default in payment of advance tax, the assessee will render himself liable to penalty under section 221.
 - In addition to interest under section 220(2), an assessee will also be liable to penalty under section 221 for default without good and sufficient reasons in making the payment of tax within the time allowed. The penalty under section 221 can be imposed from time to time to the extent of the tax (including advance tax) in arrear. The penalty under section 221 would be impossible even if the tax has been paid after the default in payment has occurred.
However, the CBDT have clarified [Vide Circular No. 530, dated 6-3-1989 – Refer 176 ITR (St.) 240 read with Circular No. 589, dated 16-1-1991 – Refer 187 ITR (St.) 79] that, on an application made by an assessee, the Assessing Officer will exercise his discretion u/s. 220(6) so as to treat the assessee as not being in default in respect of non-payment of tax on the amounts disputed in first appeal pending before the Deputy Commissioner (Appeals)/Commissioner (Appeals), subject to the conditions mentioned in the said circular.
 - The Chief Commissioner or Commissioner may reduce or waive the interest paid or payable u/s. 220(2), if the following conditions are fulfilled:
 - payment has caused or would cause genuine hardship to the assessee;
 - the non-payment of demand u/s. 156 was due to circumstances beyond the control of the assessee; and
 - the assessee has co-operated with the department in assessment and recovery proceedings.
 - Where an assessment order is cancelled u/s. 146 or cancelled/set aside by an appellate/revisional authority and cancellation/setting aside becomes final, then, no interest u/s. 220(2) can be charged pursuant to the original demand notice but can be charged only after the expiry of 35 days or 30 days, as the case may be from the date of service of demand notice pursuant to such fresh assessment order [Vide Circular No. 334, dt. 3-4-1982. Refer 135 ITR (St.) 10].

²² In cases where the demand notice under section 156 is issued on or before 31-3-1989, such demand is payable within 35 days (as against 30 days as stated above) from the date of receipt of the notice of demand.

²³ The rate of interest is 12% p.a. for the period of default upto 30-9-1984 and @ 15% p.a. for the period of default from 1-10-1984 to 31-3-1989.

2. INTEREST PAYABLE TO ASSESSEE:
ASSESSMENT YEAR 1989-90 AND ONWARDS:
[Section 244A]

From assessment year 1989-90 and onwards, interest on excess payment of advance tax, tax deducted or collected at source and any other tax or penalty becoming refundable will be paid u/s. 244A at the rate of $1\frac{1}{2}\%$ for every month or part of a month. W.e.f. 1-10-1991, the rate of interest on refunds u/s. 244A has been reduced from $1\frac{1}{2}\%$ to 1% for every month or part of a month. The period for which the interest is payable will be:

(a) for advance tax and tax deducted or collected at source, from 1st April of the relevant assessment year to the date on which the refund is granted. However, no interest will be payable, if the amount of refund is less than 10% of the tax determined u/s. 143(1) or on regular assessment (Refer Example 1 given hereafter); and

(b) for all other taxes/penalties, from date of payment of tax/penalty to the date on which the refund is granted (Refer Example 2 given hereafter).

Delay in granting refund, if any, attributable to the assessee will be excluded from the period for which interest is payable [Vide section 244A(2). Refer Para 11.4 of Circular No. 549 dt. 31-10-1989. 182 I.T.R. (St.) 49].

If the amount on which interest was payable is increased or reduced due to regular assessment orders, reassessment, rectification, appeals, revision or Settlement Commission's orders, interest also will be increased or reduced. Consequent to insertion of this section with effect from assessment year 1989-90, sections 214, 243 & 244 have been made applicable only to earlier assessment years, namely, assessment year 1988-89 and earlier years.

It may be noted that interest allowed u/s. 244A is to be treated as income of the previous year in which it is allowed and is, therefore, required to be declared in the return of income for the corresponding assessment year.

EXAMPLE: 1:

(a)	Due date for filing the return of income for assessment year 1994-95	31-8-1994
(b)	Date of filing the return of income for assessment year 1994-95 ²⁴	24-8-1994
(c)	Advance tax paid on specified due dates and tax deducted @ source before 31-3-1994	Rs. 30,000
(d)	Tax due as per return of income for assessment year 1994-95	Rs. 24,000
(e)	Refund due (Rs. 30,000 less Rs. 24,000) ²⁵	Rs. 6,000
(f)	Date of actual refund granted u/s. 143 (1)	9-11-1994
(g)	Interest payable u/s. 244A will be as under: Interest at the rate of 1% per month for a period of 8 months ²⁴ [7 months and 9 days (from 1-4-1994 to 9-11-1994)] on Rs. 6,000 i.e., 1% p.m. x 8 months on Rs. 6,000	Rs. 480

EXAMPLE: 2:

(a)	Tax due as per return of income for assessment year 1993-94 filed on due date i.e., on 31-8-1993 is Rs. 30,000. The said tax is paid as under: (1) Advance tax paid on specified due dates during the financial year ending on 31-3-1993	Rs. 29,000
	(2) Self-assessment tax paid on 31-8-1993	Rs. 1,000
		Rs. 30,000
(b)	Tax determined on completion of regular assessment u/s. 143(3) on 31-5-1994 ..	Rs. 40,000
(c)	Regular demand of Rs. 10,000 (Rs. 40,000 less Rs. 30,000) paid on	1-7-1994
(d)	Tax determined as a result of appellate order u/s. 250 on 31-10-1994	Rs. 32,000
(e)	Refund due to the assessee as a result of appeal [Rs. 40,000 less Rs. 32,000] ..	Rs. 8,000
(f)	Date of grant of actual refund	30-11-1994
(g)	Interest payable to assessee @ 1% per month for 5 months i.e., from 1-7-1994 (being date of payment of regular demand) to 30-11-1994 (being date of grant of actual refund) on Rs. 8,000	Rs. 400

Note: As the refund arises out of regular demand paid on 1-7-1994, interest is payable from that date [Vide section 244A(1)(b)].

24. In the above example (1), if there was one month's delay in filing the return of income (i.e., filed on 30-9-1994) then the period of delay of one month attributable to the assessee will be excluded from the period for which interest is payable [Refer section 244A(2)]. Interest payable @ 1% for 7 months [8 months less one month's delay in filing the return] on Rs. 6,000 will be Rs. 420.

25. If the refund due had been less than Rs. 2,400 [i.e., less than 10% of the tax determined u/s. 143(1)], no interest will be payable to the assessee on the refund [Vide Proviso to section 244A(1)(a)].

3. ROUNDING OFF OF MONTH AND AMOUNT WHILE CALCULATING THE INTEREST PAYABLE BY THE ASSESSEE OR THE INTEREST PAYABLE BY THE CENTRAL GOVERNMENT:

Under Rule 119A of the Income-tax Rules, 1962, in calculating the interest payable by the assessee or the interest payable by the Central Government to the assessee under any provision of the Income-tax Act,—

- (i) (a) where the interest is to be calculated on annual basis, the period for which such interest is to be calculated shall be rounded off to a whole month or months and for this purpose any fraction of a month shall be ignored; and the period so rounded off shall be deemed to be the period in respect of which the interest is to be calculated *[Applicable in relation to assessment year 1988-89 and earlier years]*;
- (b) where the interest is to be calculated for every month or part of a month comprised in a period, any fraction of a month shall be deemed to be a full month and the interest shall be so calculated *[Applicable in relation to assessment year 1989-90 and subsequent years. Refer example on page 166]*.
- (ii) the amount of tax, penalty or other sum in respect of which interest is to be calculated is to be rounded off to the nearest multiple of Rs. 100 and for this purpose any fraction of Rs. 100 is to be ignored.

CHART FOR INTEREST PAYABLE TO, RECEIVABLE BY, AN ASSESSEE:

[Assessment year 1989-90 and onwards]

Section of the Income-tax Act	Circumstances under which interest is payable or receivable by an assessee	Rate of interest and period for which interest is payable/receivable	Amount on which interest is to be calculated
(A) INTEREST PAYABLE BY THE ASSESSEE:			
201	Failure to deduct, or delay in remitting, tax deducted at source by the person responsible for deducting tax	15% p.a. from the date on which tax was deductible to the date on which it is actually paid	Amount of tax deductible or deducted.
206C(7)	W.e.f. 1-6-1988, failure to collect, or delay in remitting, tax collected by the seller responsible for collecting tax	2% p.m. or part thereof from the date on which such tax was collectable to the date on which it is actually paid	Amount of tax collectible.
220 (2)	Failure or delay in payment of any amount, other than advance tax, specified in notice of demand u/s. 156	(1) 15% p.a. upto 31-3-1989, and (2) 1½% for every month or part of a month, from 36th day (if demand u/s. 156 is served on or before 31-3-1989)/31st day (if demand u/s. 156 is served on or after 1-4-1989) to the date of payment	Amount specified in the demand notice issued u/s. 156 [Refer Illustration on page 167].
234A ²⁶	For delay or failure in furnishing return of income u/s. 139(1) or 139(4) or 142(1)	2% for every month or part of a month from the date immediately following the due date specified u/s. 139(1) to the date of furnishing the return of income and where the return is not furnished, to the date of completion of assessment u/s. 144	Amount of tax on total income determined u/s. 143(1) or on regular assessment and as reduced by advance tax paid and/or tax deducted or collected at source. Interest is not payable on additional income-tax determined u/s. 143(1A) [Refer Example on page 166].
234B ²⁶	Failure to pay advance tax or advance tax paid is less than 90% of the assessed tax ²⁷	2% for every month or part of the month from 1st April of the assessment year to the date of determination of total income u/s. 143(1) or regular assessment	Amount of difference between assessed tax ²⁷ and the advance tax paid, if any. Interest is not payable on additional income-tax determined u/s. 143(1A) [Refer Example of item (i) on page 282].

26. Interest payable u/s. 234A, 234B, and 234C has to be paid along with self-assessment tax payable u/s. 140A.

27. "assessed tax" means (1) for the purposes of interest payable u/s. 140A (self-assessment tax), the tax on total income declared in the return and reduced by tax deducted and/or collected at source on any income which is taken into account in computing such total income, & (2) in any other case, the tax on the total income determined u/s. 143(1) or on regular assessment and reduced by tax deducted and/or collected at source on any income which is taken into account in computing such total income.

CHART FOR INTEREST PAYABLE TO, RECEIVABLE BY, AN ASSESSEE (Contd.):

Section of the Income-tax Act	Circumstances under which interest is payable or receivable by an assessee	Rate of interest and period for which interest is payable/receivable	Amount on which interest is to be calculated
234C ^{27a}	Deferment or shortfall in payment of advance tax on 15th September and/or 15th December [leviable even in cases where assessee is liable to pay advance tax u/s. 208 and has failed to pay such tax] For interest chargeable u/s. 234C in respect of deferment or shortfall in payment of advance tax during the financial year 1994-95 (assessment year 1995-96) and subsequent years, refer Para 14.2 on page 41)	1½% per month for a period of 3 months	Amount of difference between: (1) 30% [20% in relation to assessment years 1989-90 to 1992-93] of the "tax due on the returned income" ²⁸ and advance tax paid or payable on or before 15th September, (2) 60% [50% in relation to assessment years 1989-90 to 1992-93] of the "tax due on the returned income" ²⁸ and advance tax paid or payable on or before 15th December [Refer Illustration to item (ii) on page 283].

(B) INTEREST RECEIVABLE BY THE ASSESSEE:

244(A)	Refunds arising in respect of:		
	(1) tax collected and/or deducted at source or on excess payment of advance tax	1% ²⁹ for every month or part of a month from 1st April of the assessment year to the date on which the refund is granted	Amount of refund due provided amount of refund is not less than 10% of the tax determined u/s. 143(1) or on regular assessment [Refer Example 1 on page 168].
	(2) in any other case of refund arising on appeal, refund withheld by the Assessing Officer, etc.	1% ²⁹ for every month or part of a month from the date or dates of payment of tax or penalty to the date on which the refund is granted	Amount of refund due [Refer Example 2 on page 168].

- NOTES: 1. If the amount on which interest is charged u/s. 220(2) is reduced in appeal, rectification or revision or order of the settlement commission, the interest will be accordingly reduced.
2. The interest chargeable u/s. 234A & 234B and payable u/s. 244A will be increased or reduced if the assessed tax is increased or reduced in appeal, rectification, revision or order of the settlement commission.

(xiv) Penalties leviable under the Income-tax Act, 1961:

Applicable from assessment year 1989-90 and onwards:

Section of the Income-tax Act	Nature of default	Penalty leviable
221(1)	Failure to pay tax demanded or self-assessment tax u/s. 140A and interest payable under section 220(2)	The penalty can be imposed from time to time to the extent of the tax in arrears. The penalty is impossible even if the tax has been paid after the default in payment has occurred.
271B ³⁰	Failure to get the accounts audited or obtain a report of such audit u/s. 44AB or furnish the said report along with the return of income filed u/s. 139(1) or 142(1)(i)	¼% of the total sales, turnover or gross receipts in business or of gross receipts in profession, OR a sum of Rs. 1,00,000, Whichever is less.
271C ³⁰³¹	Failure to deduct (the whole or any part of) tax at source as required under Chapter XVII-B	An amount equal to tax that should have been deducted.
271D ³⁰³¹	Failure to comply with provisions of section 269SS (i.e. taking or accepting certain loans and deposits)	A sum equal to the amount of loan or deposit taken or accepted.
271E ³⁰³¹	Failure to comply with provisions of section 269T (i.e. repayment of certain deposits)	A sum equal to the amount of deposit so repaid.

27a. Refer footnote No. 26 on page 169.

28. "tax due on the returned income" means tax chargeable on the total income declared in the return and reduced by the amount of tax deductible and/or collectible at source on any income which is taken into account in computing such total income.

29. Upto 30-9-1991, the rate of interest on refunds u/s. 244A is 1½% for every month or part of a month.

30. In respect of the defaults under this section/sub-section, no penalty is impossible on the person/assessee, if he proves that there was reasonable cause for the said default [Section 273B].

31. The provisions of sections 271C, 271D and 271E are applicable w.e.f. 1-4-1989.

Penalties leviable under the Income-tax Act, 1961 (Contd.)

Section of the Income-tax Act	Nature of default	Penalty leviable	
272AA ^{31a}	Failure to comply with the provisions of section 133B	A sum which may extend to Rs. 1,000.	
272BB ^{31a}	Failure to comply with the provisions of section 203A	A sum which may extend to Rs. 5,000.	
		MINIMUM PENALTY	MAXIMUM PENALTY
271(1)(b) ^{31a}	Failure to comply with a notice u/s. 142(1) or 143(2) or failure to comply with directions issued u/s. 142(2A)	Rs. 1,000 for each such failure	Rs. 25,000 for each such failure.
271(1)(c)	For concealing the particulars of income or furnishing inaccurate particulars of such income	100% of the amount of tax sought to be evaded	300% of the amount of tax sought to be evaded.
271A ^{31a}	Failure to keep, maintain or retain books of account, etc., as required under section 44AA	Rs. 2,000	Rs. 1,00,000.
272A(1)(a) & (b)	Failure to answer questions, or sign statements asked or made in course of any proceeding under the Act	Rs. 500 for each default or failure	Rs. 10,000 for each default or failure.
272A(1)(c) ^{31a}	Failure to comply with notice u/s. 131(1); i.e., to attend and give evidence, and/or produce books of account or documents	Rs. 500 for each default or failure	Rs. 10,000 for each default or failure.
272A(1)(d) ^{31a}	Failure to comply with the provisions of section 139A i.e., applying for Permanent Account Number	Rs. 500 for each default or failure	Rs. 10,000 for each default or failure.
272A(2) ^{31a}	Failure — (a) to comply with notice u/s. 94(6); (b) to give notice of discontinuance of business or profession u/s. 176(3); (c) to furnish in due time returns/statements/particulars u/s. 133, 206, 206A, 206B, 206C ³² or 285B; (d) to allow inspection of registers, etc. u/s. 134; (e) to file return u/s. 139(4A); (f) to deliver in due time a copy of declaration mentioned in sec. 197A; (g) to furnish a certificate u/s. 203 or 206C ³² (h) to deduct and pay tax as required u/s. 226(2)	Rs. 100 ³³ for every day during which the default continues	Rs. 200 ³³ for every day during which the default continues.

NOTES:

1. The Income-tax Officer can levy penalty upto Rs. 10,000 and the Assistant Commissioner upto Rs. 20,000. If penalty leviable exceeds these limits, prior approval of the Deputy Commissioner is necessary [Section 274(2)].
2. W.e.f. 1-4-1990, penalties u/s. 271C, 271D & 271E shall be levied by the Deputy Commissioner [Sections 271C(2), 271D(2) & 271E(2)].
3. Upto assessment year 1992-93, for the purpose of penalty imposable under section 271(1)(c), the tax in the case of a registered firm or an unregistered firm treated as registered firm u/s. 183(b) will be calculated as if it is an unregistered firm [Section 271(2)].
4. Where additional income-tax has been charged on the adjustments made u/s. 143(1)(a), no penalty is leviable u/s. 271(1)(c) [Explanation 6 to section 273(1)].

31a. In respect of the defaults under this section/sub-section, no penalty is imposable on the person/assessee, if he proves that there was reasonable cause for the said default [section 273B].

32. In clauses (c) and (g), figures and letter "206C" inserted w.e.f. 1-10-1991.

33. W.e.f. 1-10-1991, the quantum of penalty for non-filing of prescribed returns u/s. 206 and 206C is restricted to the maximum amount of tax deductible or collectible at source.

(xv) Waiver or reduction of penalty:

[W.e.f. 1-6-1993]

Under section 273A, the Commissioner has the power to reduce or waive penalties imposed or imposed u/s. 271(1)(c) for concealment of income.

This power of waiver or reduction will be exercised by the Commissioner if he is satisfied that the following conditions have been fulfilled:

(1) In cases where penalty is imposed or imposed u/s. 271(1)(c) for concealment of particulars of income, the assessee has voluntarily and in good faith made full and true disclosure of such particulars prior to their detection by the Assessing Officer.

(2) The disclosure will be treated as full and true if the additions made to the income returned are not of such a nature as to attract penalty for concealment of income u/s. 271(1)(c).

(3) The assessee has co-operated in any enquiry relating to the assessment of his income for the relevant assessment year.

(4) The assessee has paid or made satisfactory arrangements for the payment of the tax or interest on the basis of the assessment order passed for the relevant assessment year.

Main features:

(1) In cases where the aggregate of concealed income u/s. 271(1)(c) exceeds Rs. 5 lakhs, in relation to one or more assessment years, the Commissioner is not empowered to reduce or waive penalty except with the previous approval of the Chief Commissioner or Director-General, as the case may be.

(2) An order of reduction or waiver of penalty u/s. 273A(1) may be passed by the Commissioner either on his own motion or on an application made by the assessee.

(3) An order of reduction or waiver can be passed even after the penalty has been imposed.

(4) Sub-section (3) of section 273A provides that if once an order of waiver or reduction has been passed u/s. 273A(1) in the case of an assessee, irrespective of whether such order relates to one or more assessment years, such assessee shall not again be entitled to a similar relief on any subsequent occasion.

(5) Sub-section (4) of section 273A provides that on an application made by the assessee, the Commissioner may, waive any penalty payable by an assessee under the Income-tax Act or stay or compound any proceeding for its recovery, if he is satisfied that:

(i) It would otherwise cause genuine hardship to the assessee, and;

(ii) the assessee has co-operated with the department.

(xvi) Time limit for completion of penalty proceedings:

[Section 275]

PENALTY PROCEEDINGS INITIATED ON OR AFTER 1-4-1989:

Penalty proceedings have to be completed before the end of the financial year in which the proceedings, in the course of which action for imposition of penalty is initiated, are completed, or within six months from the end of the month in which action for imposition of penalty is initiated, whichever period expires later.

But where the relevant order is the subject matter of appeal before the Deputy Commissioner (Appeals) or Commissioner (Appeals) or the Appellate Tribunal, penalty proceedings have to be completed before the end of the financial year in which the proceedings in the course of which action for imposition of penalty is initiated, or within six months from the end of the month in which the order of the Deputy Commissioner (Appeals) or Commissioner (Appeals) or the Appellate Tribunal is received by the Chief Commissioner or Commissioner, whichever period expires later. If the relevant assessment or order is the subject matter of revision u/s. 263, the penalty proceedings have to be completed within six months from the end of the month in which such order of revision is passed.

EXCLUSIONS FROM TOTAL INCOME**Incomes which do not form part of total income****ASSESSMENT YEARS: 1994-95 & 1995-96****Section**

10 In computing the total income of a previous year of any person, any income falling within any of the following clauses shall not be included—

- 10(1) agricultural income;
- 10(2) subject to the provisions of sub-section (2) of section 64, any sum received by an individual as a member of a Hindu undivided family, where such sum has been paid out of the income of the family, or, in the case of any impartible estate where such sum has been paid out of the income of the estate belonging to the family;
- 10(2A) in the case of a person being a partner of a firm which is separately assessed as such, his share in the total income of the firm.

Explanation.—For the purposes of this clause, the share of a partner in the total income of a firm separately assessed as such shall, notwithstanding anything contained in any other law, be an amount which bears to the total income of the firm the same proportion as the amount of his share in the profits of the firm in accordance with the partnership deed bears to such profits;

- 10(3) any receipts which are of a casual and non-recurring nature, to the extent such receipts do not exceed five thousand rupees in the aggregate:

Provided that where such receipts relate to winnings from races including horse races, the provisions of this clause shall have effect as if for the words “five thousand rupees”, the words “two thousand five hundred rupees” had been substituted:

Provided further that this clause shall not apply to—

- (i) capital gains chargeable under the provisions of section 45; or
 - (ii) receipts arising from business or the exercise of a profession or occupation; or
 - (iii) receipts by way of addition to the remuneration of an employee;
- 10(4) (i) in the case of a non-resident, any income by way of interest on such securities or bonds as the Central Government may, by notification in the Official Gazette, specify in this behalf, including income by way of premium on the redemption of such bonds;
- (ii) in the case of an individual, any income by way of interest on moneys standing to his credit in a Non-Resident (External) Account in any bank in India in accordance with the Foreign Exchange Regulation Act, 1973 and the rules made thereunder:

Provided that such individual is a person resident outside India as defined in clause (q) of section 2 of the said Act or is a person who has been permitted by the Reserve Bank of India to maintain the aforesaid Account;

- 10(4A) *This clause is omitted w.e.f. 1-4-1989;*

- 10(4B) in the case of an individual, being a citizen of India or a person of Indian origin, who is a non-resident, any income from interest on such savings certificates issued by the Central Government as that Government may, by notification in the Official Gazette, specify in this behalf:

Provided that the individual has subscribed to such certificates in convertible foreign exchange remitted from a country outside India in accordance with the provisions of the Foreign Exchange Regulation Act, 1973, and any rules made thereunder.

Explanation.—For the purposes of this clause,—

- (a) a person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India;
 - (b) “convertible foreign exchange” means foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purposes of the Foreign Exchange Regulation Act, 1973, and any rules made thereunder;
- 10(5) in the case of an individual, the value of any travel concession or assistance received by, or due to, him,—
- (a) from his employer for himself and his family, in connection with his proceeding on leave to any place in India;
 - (b) from his employer or former employer for himself and his family, in connection with his proceeding to any place in India after retirement from service or after the termination of his service,
- subject to such conditions as may be prescribed (including conditions as to number of journeys and the amount which shall be exempt per head) having regard to the travel concession or assistance granted to the employees of the Central Government:

Section

- 10(5) Provided that the amount exempt under this clause shall in no case exceed the amount of expenses actually incurred for the purpose of such travel.
Explanation.—For the purposes of this clause, “family”, in relation to an individual, means—
 (i) the spouse and children of the individual; and
 (ii) the parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual;
- 10(5A) in the case of an individual who is not a citizen of India and is a non-resident, who comes to India solely in connection with the shooting of a cinematograph film in India by the individual, firm or company referred to in clause (d) of the *Explanation* to clause (i) of sub-section (1) of section 9, any remuneration received by him for rendering any service in connection with such shooting;
- 10(5B) in the case of an individual who renders services as a technician in the employment (commencing from a date after the 31st day of March, 1993) of the Government or of a local authority or of any corporation set up under any special law or of any such institution or body established in India for carrying on scientific research as is approved for the purposes of this clause or sub-clause (vita) of clause (6) by the prescribed authority or in any business carried on in India and the individual was not resident in India in any of the four financial years immediately preceding the financial year in which he arrived in India and the tax on his income for such services chargeable under the head “Salaries” is paid to the Central Government by the employer (which tax, in the case of an employer, being a company, may be paid notwithstanding anything contained in section 200 of the Companies Act, 1956), the tax so paid by the employer for a period not exceeding forty-eight months commencing from the date of his arrival in India:
 Provided that the Central Government may, if it considers it necessary or expedient in the public interest so to do, waive the condition relating to non-residence in India as specified in this clause in the case of any individual who is employed in India for designing, erection or commissioning of machinery or plant or supervising activities connected with such designing, erection or commissioning.
Explanation.—For the purposes of this clause, “technician” means a person having specialised knowledge and experience in—
 (i) constructional or manufacturing operations, or in mining or in generation of electricity or any other form of power, or
 (ii) agriculture, animal husbandry, dairy farming, deep sea fishing or ship building, or
 (iii) such other field as the Central Government may, having regard to availability of Indians having specialised knowledge and experience therein, the needs of the country and other relevant circumstances, by notification in the Official Gazette, specify,
 who is employed in India in a capacity in which such specialised knowledge and experience are actually utilised;
- 10(6) *this clause relates in respect of an individual who is not a citizen of India. For text of this clause, refer pp. 128-130 of Income-tax Ready Reckoner for the assessment year 1981-82 (41st consecutive edition) and for amendments made to this clause refer section 4(a) of the Finance Act, 1988 on page 6 of I.T.R.R. 1988-89, section 4(c) of the Finance Act, 1992 on page 7 of I.T.R.R. 1992-93 and section 3(b) of the Finance Act, 1993 on page 7 of I.T.R.R. 1993-94;*
- 10(6A) where in the case of a foreign company deriving income by way of royalty or fees for technical services received from Government or an Indian concern in pursuance of an agreement made by the foreign company with Government or the Indian concern after the 31st day of March, 1976, and,—
 (a) where the agreement relates to a matter included in the industrial policy, for the time being in force, of the Government of India, such agreement is in accordance with that policy; and
 (b) in any other case, the agreement is approved by the Central Government,
 the tax on such income is payable, under the terms of the agreement, by Government or the Indian concern to the Central Government, the tax so paid.
Explanation.—For the purposes of this clause and clause (6B),—
 (a) “fees for technical services” shall have the same meaning as in *Explanation 2* to clause (vii) of sub-section (1) of section 9;
 (b) “foreign company” shall have the same meaning as in section 80R;
 (c) “royalty” shall have the same meaning as in *Explanation 2* to clause (vi) of sub-section (1) of section 9;
- 10(6B) where in the case of a non-resident (not being a company) or of a foreign company deriving income (not being salary, royalty or fees for technical services) from Government or an Indian concern in pursuance of an agreement entered into by the Central Government with the Government of a foreign State or an international organisation, the tax on such income is payable by Government or the Indian concern to the Central Government under the terms of that agreement or any other related agreement approved by the Central Government, the tax so paid;
- 10(6C) any income arising to such foreign company, as the Central Government may, by notification in the Official Gazette, specify in this behalf, by way of fees for technical services received in pursuance of an agreement entered into with that Government for providing services in or outside India in projects connected with security of India;
- 10(7) any allowances or perquisites paid or allowed as such outside India by the Government to a citizen of India for rendering service outside India;
- 10(8) in the case of an individual who is assigned to duties in India in connection with any co-operative technical assistance programmes and projects in accordance with an agreement entered into by the Central Government and the Government of a foreign State (the terms whereof provide for the exemption given by this clause)—
 (a) the remuneration received by him directly or indirectly from the Government of that foreign State for such duties, and

Section

- (b) any other income of such individual which accrues or arises outside India, and is not deemed to accrue or arise in India, in respect of which such individual is required to pay any income or social security tax to the Government of that foreign State;
- 10(8A) in the case of a consultant—
- (a) any remuneration or fee received by him or it, directly or indirectly, out of the funds made available to an international organisation [hereafter referred to in this clause and clause (8B) as the agency] under a technical assistance grant agreement between the agency and the Government of a foreign State; and
- (b) any other income which accrues or arises to him or it outside India, and is not deemed to accrue or arise in India, in respect of which such consultant is required to pay any income or social security tax to the Government of the country of his or its origin.
- Explanation.*—In this clause, “consultant” means—
- (i) any individual who is either not a citizen of India or, being a citizen of India, is not ordinarily resident in India; or
- (ii) any other person, being a non-resident, engaged by the agency for rendering technical services in India in connection with any technical assistance programme or project, provided the following conditions are fulfilled, namely:—
- (1) the technical assistance is in accordance with an agreement entered into by the Central Government and the agency; and
- (2) the agreement relating to the engagement of the consultant is approved by the prescribed authority for the purposes of this clause;
- 10(8B) in the case of an individual who is assigned to duties in India in connection with any technical assistance programme and project in accordance with an agreement entered into by the Central Government and the agency—
- (a) the remuneration received by him, directly or indirectly, for such duties from any consultant referred to in clause (8A); and
- (b) any other income of such individual which accrues or arises outside India, and is not deemed to accrue or arise in India, in respect of which such individual is required to pay any income or social security tax to the country of his origin, provided the following conditions are fulfilled, namely:—
- (i) the individual is an employee of the consultant referred to in clause (8A) and is either not a citizen of India or, being a citizen of India, is not ordinarily resident in India; and
- (ii) the contract of service of such individual is approved by the prescribed authority before the commencement of his service;
- 10(9) the income of any member of the family of any such individual as is referred to in clause (8) or clause (8A) or, as the case may be, clause (8B) accompanying him to India, which accrues or arises outside India, and is not deemed to accrue or arise in India, in respect of which such member is required to pay any income or social security tax to the Government of that foreign State or, as the case may be, country of origin of such member;
- 10(10) (i) any death-*cum*-retirement gratuity received under the revised Pension Rules of the Central Government or, as the case may be, the Central Civil Services (Pension) Rules, 1972, or under any similar scheme applicable to the members of the civil services of the Union or holders of posts connected with defence or of civil posts under the Union (such members or holders being persons not governed by the said Rules) or to the members of the all-India services or to the members of the civil services of a State or holders of civil posts under a State or to the employees of a local authority or any payment of retiring gratuity received under the Pension Code or Regulations applicable to the members of the defence services;
- (ii) any gratuity received under the Payment of Gratuity Act, 1972, to the extent it does not exceed an amount calculated in accordance with the provisions of sub-sections (2) and (3) of section 4 of that Act;
- (iii) any other gratuity received by an employee on his retirement or on his becoming incapacitated prior to such retirement or on termination of his employment, or any gratuity received by his widow, children or dependents on his death, to the extent it does not, in either case, exceed one-half month's salary for each year of completed service, calculated on the basis of the average salary for the ten months immediately preceding the month in which any such event occurs, subject to such limit¹ as the Central Government may, by notification in the Official Gazette, specify in this behalf having regard to the limit applicable in this behalf to the employees of that Government:
- Provided that where any gratuities referred to in this clause are received by an employee from more than one employer in the same previous year, the aggregate amount exempt from income-tax under this clause shall not exceed the limit¹ so specified:
- Provided further that where any such gratuity or gratuities was or were received in any one or more earlier previous years also and the whole or any part of the amount of such gratuity or gratuities was not included in the total income of the assessee of such previous year or years, the amount exempt from

1. The exemption limit is “one lakh rupees” in relation to gratuity becoming payable on or after 1st January, 1986 [Vide Notification No. 7534 dated 18th September, 1987].

Section

10(10) income-tax under this clause shall not exceed the limit^{1a} so specified as reduced by the amount or, as the case may be, the aggregate amount not included in the total income of any such previous year or years.

Explanation.—In this clause, and in clause (10AA), “salary” shall have the meaning assigned to it in clause (h) of rule 2 of Part A of the Fourth Schedule;

10(10A) (i) any payment in commutation of pension received under the Civil Pensions (Commutation) Rules of the Central Government or under any similar scheme applicable to the members of the civil services of the Union or holders of posts connected with defence or of civil posts under the Union (such members or holders being persons not governed by the said Rules) or to the members of the all-India services or to the members of the defence services or to the members of the civil services of a State or holders of civil posts under a State or to the employees of a local authority or a corporation established by a Central, State or Provincial Act;

(ii) any payment in commutation of pension received under any scheme of any other employer, to the extent it does not exceed—

(a) in a case where the employee receives any gratuity, the commuted value of one-third of the pension which he is normally entitled to receive, and

(b) in any other case, the commuted value of one-half of such pension, such commuted value being determined having regard to the age of the recipient, the state of his health, the rate of interest and officially recognised tables of mortality;

10(10AA) (i) any payment received by an employee of the Central Government or a State Government as the cash equivalent of the leave salary in respect of the period of earned leave at his credit at the time of his retirement whether on superannuation or otherwise;

(ii) any payment of the nature referred to in sub-clause (i) received by an employee, other than an employee of the Central Government or a State Government, in respect of so much of the period of earned leave at his credit at the time of his retirement whether on superannuation or otherwise as does not exceed eight months, calculated on the basis of the average salary drawn by the employee during the period of ten months immediately preceding his retirement whether on superannuation or otherwise, subject to such limit as the Central Government may, by notification² in the Official Gazette, specify in this behalf having regard to the limit applicable in this behalf to the employees of that Government:

Provided that where any such payments are received by an employee from more than one employer in the same previous year, the aggregate amount exempt from income-tax under this sub-clause shall not exceed the limit so specified:

Provided further that where any such payment or payments was or were received in any one or more earlier previous years also and the whole or any part of the amount of such payment or payments was or were not included in the total income of the assessee of such previous year or years, the amount exempt from income-tax under this sub-clause shall not exceed the limit so specified, as reduced by the amount or, as the case may be, the aggregate amount not included in the total income of any such previous year or years.

Explanation.—For the purposes of sub-clause (ii), the entitlement to earned leave of an employee shall not exceed thirty days for every year of actual service rendered by him as an employee of the employer from whose service he has retired;

10(10B) any compensation received by a workman under the Industrial Disputes Act, 1947, or under any other Act or rules, orders or notifications issued thereunder or under any standing orders or under any award, contract of service or otherwise, at the time of his retrenchment:

Provided that the amount exempt under this clause shall not exceed—

(i) an amount calculated in accordance with the provisions of clause (b) of section 25F of the Industrial Disputes Act, 1947; or

(ii) such amount, not being less than fifty thousand rupees, as the Central Government may, by notification in the Official Gazette, specify in this behalf,

whichever is less:

Provided further that the preceding proviso shall not apply in respect of any compensation received by a workman in accordance with any scheme which the Central Government may, having regard to the need relevant circumstances, approve in this behalf.

Explanation.—For the purposes of this clause—

(a) compensation received by a workman at the time of the closing down of the undertaking in which he is employed shall be deemed to be the compensation received at the time of his retrenchment;

1a. Refer foot note No. 1 on page 175.

2. Vide Notification No. S.O. 553(E) dt. 8th June, 1988 [Refer foot note No. 16 on page 69].

Section

- 10(10B) (b) compensation received by a workman, at the time of the transfer (whether by agreement or by operation of law) of the ownership or management of the undertaking in which he is employed from the employer in relation to that undertaking to a new employer, shall be deemed to be compensation received at the time of his retrenchment if—
- (i) the service of the workman has been interrupted by such transfer; or
 - (ii) the terms and conditions of service applicable to the workman after such transfer are in any way less favourable to the workman than those applicable to him immediately before the transfer; or
 - (iii) the new employer is, under the terms of such transfer or otherwise, legally not liable to pay to the workman, in the event of his retrenchment, compensation on the basis that his service has been continuous and has not been interrupted by the transfer;
- (c) the expressions "employer" and "workman" shall have the same meanings as in the Industrial Disputes Act, 1947;
- 10(10BB) any payments made under the Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985 and any scheme framed thereunder except payment made to any assessee in connection with the Bhopal gas leak disaster to the extent such assessee has been allowed a deduction under this Act on account of any loss or damage caused to him by such disaster;
- 10(10C) any amount received by an employee of—
- (i) a public sector company; or
 - (ii) any other company; or
 - (iii) an authority established under a Central, State or Provincial Act; or
 - (iv) a local authority; or
- The following sub-clauses are inserted w.e.f. 1-4-1995 (assessment year 1995-96 and onwards):*
- (v) a co-operative society; or
 - (vi) a University established or incorporated by or under a Central, State or Provincial Act and an institution declared to be a University under section 3 of the University Grants Commission Act, 1956; or
 - (vii) an Indian Institute of Technology within the meaning of clause (g) of section 3 of the Institute of Technology Act, 1961; or
 - (viii) such institute of management as the Central Government may, by notification in the Official Gazette, specify in this behalf,
- at the time of his voluntary retirement in accordance with any scheme or schemes of voluntary retirement, to the extent such amount does not exceed five lakhs rupees:
- Provided that the schemes of the said companies or authorities or societies or universities or the Institutes referred to in sub-clauses (vii) and (viii)^{2a}, as the case may be, governing the payment of such amount are framed in accordance with such guidelines (including, *inter alia*, criteria of economic viability) as may be prescribed and such schemes in relation to companies referred to in sub-clause (ii) or co-operative societies referred to in sub-clause (v)^{2a} are approved by the Chief Commissioner or, as the case may be, Director-General in this behalf:
- Provided further that where exemption has been allowed to an employee under this clause for any assessment year, no exemption thereunder shall be allowed to him in relation to any other assessment year;
- 10(10D) any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy;
- 10(11) any payment from a provident fund to which the Provident Funds Act, 1925, applies or from any other provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette;
- 10(12) the accumulated balance due and becoming payable to an employee participating in a recognised provident fund, to the extent provided in rule 8 of Part A of the Fourth Schedule;
- 10(13) any payment from an approved superannuation fund made—
- (i) on the death of a beneficiary; or
 - (ii) to an employee in lieu of or in commutation of an annuity on his retirement at or after a specified age or on his becoming incapacitated prior to such retirement; or
 - (iii) by way of refund of contributions on the death of a beneficiary; or
 - (iv) by way of refund of contributions to an employee on his leaving the service in connection with which the fund is established otherwise than by retirement at or after a specified age or on his becoming incapacitated prior to such retirement, to the extent to which such payment does not exceed the contributions made prior to the commencement of this Act and any interest thereon;
- 10(13A) any special allowance specifically granted to an assessee by his employer to meet expenditure actually incurred on payment of rent (by whatever name called) in respect of residential accommodation occupied by the assessee, to such extent as may be prescribed having regard to the area or place in which such accommodation is situate and other relevant considerations.

2a. The words, brackets and figures in italics inserted w.e.f. 1-4-1995 (assessment year 1995-96 and onwards).

Section

10(13A) *Explanation.*—For the removal of doubts, it is hereby declared that nothing contained in this clause shall apply in a case where—

- (a) the residential accommodation occupied by the assessee is owned by him; or
- (b) the assessee has not actually incurred expenditure on payment of rent (by whatever name called) in respect of the residential accommodation occupied by him;

10(14) (i) any such special allowance or benefit, not being in the nature of a perquisite within the meaning of clause (2) of section 17, specifically granted to meet expenses wholly, necessarily and exclusively incurred in the performance of the duties of an office or employment of profit, as the Central Government may, by notification³ in the Official Gazette, specify, to the extent to which such expenses are actually incurred for that purpose;

- (ii) any such allowance granted to the assessee either to meet his personal expenses at the place where the duties of his office or employment of profit are ordinarily performed by him or at the place where he ordinarily resides, or to compensate him for the increased cost of living, as the Central Government may, by notification³ in the Official Gazette, specify, to the extent specified in the notification:

Provided that nothing in sub-clause (ii) shall apply to any allowance in the nature of personal allowance granted to the assessee to remunerate or compensate him for performing duties of a special nature relating to his office or employment unless such allowance is related to the place of his posting or residence;

10(14A) any income received by a public financial institution as exchange risk premium from any person borrowing foreign currency from such institution, provided the amount of such premium is credited by such institution to a fund specified under clause (23E).

Explanation.—For the purposes of this clause,—

- (i) the expression “public financial institution” shall have the meaning assigned to it in section 4A of the Companies Act, 1956;
- (ii) the expression “exchange risk premium” means a premium paid by a person borrowing foreign currency from a public financial institution to cover the risk which may be borne by such institution on account of fluctuations in exchange rate of foreign currencies borrowed by such institution;

10(15) (i) income by way of interest, premium on redemption or other payment on such securities, bonds, annuity certificates, savings certificates, other certificates issued by the Central Government and deposits as the Central Government may, by notification⁴ in the Official Gazette, specify in this behalf, subject to such conditions and limits as may be specified in the said notification;

(ii) *This sub-clause is omitted w.e.f. 1-4-1989 (assessment years 1989-90 and onwards);*

(iia) *This sub-clause is omitted w.e.f. 1-4-1989 (assessment years 1989-90 and onwards);*

(iib) in the case of an individual or a Hindu undivided family, interest on such Capital Investment Bonds as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(iic) in the case of an individual or a Hindu undivided family, interest on such Relief Bonds as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(iic) interest on such bonds, as the Central Government may, by notification in the Official Gazette, specify, arising to —

- (a) a non-resident Indian, being an individual owning the bonds; or
- (b) any individual owning the bonds by virtue of being a nominee or survivor of the non-resident Indian; or
- (c) any individual to whom the bonds have been gifted by the non-resident Indian:

Provided that the aforesaid bonds are purchased by a non-resident Indian in foreign exchange and the interest and principal received in respect of such bonds, whether on their maturity or otherwise, is not allowable to be taken out of India:

Provided further that where an individual, who is a non-resident Indian in any previous year in which the bonds are acquired, becomes a resident in India in any subsequent year, the provisions of this sub-clause shall continue to apply in relation to such individual:

Provided also that in a case where the bonds are encashed in a previous year prior to their maturity by an individual who is so entitled, the provisions of this sub-clause shall not apply to such individual in relation to the assessment year relevant to such previous year.

Explanation.— For the purposes of this sub-clause, the expression “non-resident Indian” shall have the meaning assigned to it in clause (e) of section 115C;

(iii) interest on securities held by the Issue Department of the Central Bank of Ceylon constituted under the Ceylon Monetary Law Act, 1949;

(iiia) interest payable to any bank incorporated in a country outside India and authorised to perform central banking functions in that country on any deposits made by it, with the approval of the Reserve Bank of India, with any scheduled bank.

3. *Vide Notification No. S.O. 143(E), 144(E), 606(E), 259(E), 267(E) & 487(E) (Refer page 63).*

4. *Vide Notification No. G.S.R. 607(E), dt. 9th June, 1989 Refer 178 ITR (St.) 43].*

Section

10(15)

Explanation.—For the purpose of this sub-clause, “scheduled bank” shall have the meaning assigned to it in clause (ii) of the *Explanation* to clause (vii) of sub-section (1) of section 36;

(iv) Interest payable—

- (a) by Government or a local authority on moneys borrowed by it from, or debts owed by it to, sources outside India;
- (b) by an industrial undertaking in India on moneys borrowed by it under a loan agreement entered into with any such financial institution in a foreign country as may be approved in this behalf by the Central Government by general or special order;
- (c) by an industrial undertaking in India on any moneys borrowed or debt incurred by it in a foreign country in respect of the purchase outside India of raw materials or components or capital plant and machinery, to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan or debt and its repayment.

Explanation.—For the purposes of this item, “purchase of capital plant and machinery” includes the purchase of such capital plant and machinery under a hire-purchase agreement or a lease agreement with an option to purchase such plant and machinery;

- (d) by the Industrial Finance Corporation of India established by the Industrial Finance Corporation Act, 1948, or the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964, or the Export-Import Bank of India established under the Export-Import Bank of India Act, 1981, or the National Housing Bank established under section 3 of the National Housing Bank Act, 1987, or the Small Industries Development Bank of India established under section 3 of the Small Industries Development Bank of India Act, 1989, or the Industrial Credit and Investment Corporation of India (a company formed and registered under the Indian Companies Act, 1913), on any moneys borrowed by it from sources outside India, to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan and its repayment;
- (e) by any other financial institutions established in India or a banking company to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act), on any moneys borrowed by it from sources outside India under a loan agreement approved by the Central Government where the moneys are borrowed either for the purpose of advancing loans to industrial undertakings in India for purchase outside India of raw materials or capital plant and machinery or for the purpose of importing any goods which the Central Government may consider necessary to import in the public interest, to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan and its repayment;
- (f) by an industrial undertaking in India on any moneys borrowed by it in foreign currency from sources outside India under a loan agreement approved by the Central Government having regard to the need for industrial development in India, to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan and its repayment;
- (fa) by a scheduled bank, to a non-resident or to a person who is not ordinarily resident within the meaning of sub-section (6) of section 6, on deposits in foreign currency where the acceptance of such deposits by the bank is approved by the Reserve Bank of India.

Explanation.—For the purposes of this item, the expression “scheduled bank” shall have the meaning assigned to it in clause (ii) of the *Explanation* to clause (vii) of sub-section (1) of section 36;

- (g) by a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes, being a company approved by the Central Government for the purposes of clause (viii) of sub-section (1) of section 36 on any moneys borrowed by it in foreign currency from sources outside India under a loan agreement approved by the Central Government, to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan and its repayment.

Explanation.—For the purposes of items (f), (fa) and (g), the expression “foreign currency” shall have the meaning assigned to it in the Foreign Exchange Regulation Act, 1973;

- (h) by any public sector company in respect of such bonds or debentures and subject to such conditions, including the condition that the holder of such bonds or debentures registers his name and the holding with that company, as the Central Government may, by notification in the Official Gazette, specify in this behalf;
- (i) by Government on deposits made by an employee of the Central Government or a State Government or a public sector company, in accordance with such scheme as the Central Government may, by notifications in the Official Gazette, frame in this behalf, out of the moneys due to him on account of his retirement, whether on superannuation or otherwise.

Explanation.—For the purposes of this sub-clause, the expression “industrial undertaking” means any undertaking which is engaged in—

- (a) the manufacture or processing of goods; or
- (b) the business of generation or distribution of electricity or any other form of power; or
- (c) mining; or
- (d) the construction of ships; or
- (e) the operation of ships or aircrafts;

Section

- 10(15) (v) interest on securities held by the Welfare Commissioner, Bhopal Gas Victims, Bhopal, in Reserve Bank's SGL Account No. SL/DH 048;
- 10(15A) any payment made, by an Indian Company engaged in the business of operation of aircraft, to acquire an aircraft on lease from the Government of a foreign State or a foreign enterprise under an agreement approved by the Central Government in this behalf.
Explanation.—For the purpose of this clause, “foreign enterprise” means a person who is a non-resident;
- 10(16) scholarships granted to meet the cost of education;
- 10(17) any income by way of—
(i) daily allowance received by any person by reason of his membership of Parliament or of any State Legislature or of any Committee thereof;
(ii) any allowance received by any person by reason of his membership of Parliament under the Members of Parliament (Constituency Allowance) Rules, 1986;
(iii) all other allowances not exceeding six hundred rupees per month in the aggregate received by any person by reason of his membership of any State Legislature or any Committee thereof, which the Central Government may, by notification in the Official Gazette, specify in this behalf;
- 10(17A) any payment made, whether in cash or in kind,—
(i) in pursuance of any award instituted in the public interest by the Central Government or any State Government or instituted by any other body and approved by the Central Government in this behalf; or
(ii) as a reward by the Central Government or any State Government for such purposes as may be approved by the Central Government in this behalf in the public interest;
- 10(18) *This clause is omitted w.e.f. 1-4-1989;*
- 10(18A) any *ex-gratia* payments made by the Central Government consequent on the abolition of privy purse;
- 10(19) *Omitted by section 7 of the Ruler of Indian States (Abolition of Privileges) Act, 1972 w.e.f. 2-4-1973.*
- 10(19A) *This clause relates to exemption of annual value of any one palace in the occupation of a Ruler. For text of this clause, refer page 155 of I.T.R.R. 1987-88 [47th Consecutive Edition].*
- 10(20) the income of a local authority which is chargeable under the head “Income from house property”, “Capital gains”, or “Income from other sources” or from a trade or business carried on by it which accrues or arises from the supply of a commodity or service (not being water or electricity) within its own jurisdictional area or from the supply of water or electricity within or outside its own jurisdictional area;
- 10(20A) any income of an authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both;
- 10(21) any income of a scientific research association for the time being approved for the purpose of clause (ii) of sub-section (1) of section 35:
Provided that the scientific research association —
(a) applies its income or accumulates it for application, wholly and exclusively to the objects for which it is established, and the provisions of sub-section (2) and sub-section (3) of section 11 shall apply in relation to such accumulation subject to the following modifications, namely:—
(i) in sub-section (2),—
(1) the words, brackets, letters and figure “referred to in clause (a) or clause (b) of sub-section (1) read with the *Explanation* to that sub-section” shall be omitted;
(2) for the words “to charitable or religious purposes”, the words “for the purposes of scientific research” shall be substituted;
(3) the reference to “Assessing Officer” in clause (a) thereof shall be construed as a reference to the “prescribed authority” referred to in clause (ii) of sub-section (1) of section 35;
(ii) in sub-section (3), in clause (a), for the words “charitable or religious purposes”, the words “the purposes of scientific research” shall be substituted; and
(b) does not invest or deposit its funds, other than—
(i) any assets held by the scientific research association where such assets form part of the corpus of the fund of the association as on the 1st day of June, 1973;
(ii) any assets (being debentures issued by, or on behalf of, any company or corporation), acquired by the scientific research association before the 1st day of March, 1983;
(iii) any accretion to the shares, forming part of the corpus of the fund mentioned in sub-clause (i), by way of bonus shares allotted to the scientific research association;
(iv) voluntary contributions received and maintained in the form of jewellery, furniture or any other article as the Board may, by notification in the Official Gazette, specify,
for any period during the previous year otherwise than in any or more of the forms or modes specified in sub-section (5) of section 11:

Section

- 10(21) Provided further that the exemption under this clause shall not be denied in relation to voluntary contribution, other than voluntary contribution in cash or voluntary contribution of the nature referred to in clause (b) of the first proviso to this clause, subject to the condition that such voluntary contribution is not held by the scientific research association, otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11, after the expiry of one year from the end of the previous year in which such asset is acquired or the 31st day of March, 1992, whichever is later:
- 10(22) Provided also that nothing contained in this clause shall apply in relation to any income of the scientific research association, being profits and gains of business unless the business is incidental to the attainment of its objectives and separate books of accounts are maintained by it in respect of such business;
- 10(22A) any income of a university or other educational institution, existing solely for educational purposes and not for purposes of profit;
- 10(22B) any income of a hospital or other institution for the reception and treatment of persons suffering from illness or mental defectiveness or for the reception and treatment of persons during convalescence or of persons requiring medical attention or rehabilitation, existing solely for philanthropic purposes and not for purposes of profit;
- 10(23) *This clause is inserted by the Finance Act, 1994 w.e.f. 1-4-1994. For text of this clause, refer section 6(2) of the Finance Act, 1994.*
- any income of an association or institution established in India which may be notified by the Central Government in the Official Gazette having regard to the fact that the association or institution has as its object the control, supervision, regulation or encouragement in India of the games of cricket, hockey, football, tennis or such other games or sports as the Central Government may, by notification in the Official Gazette, specify in this behalf:
- Provided that the association or institution shall make an application in the prescribed form and manner to the prescribed authority for the purpose of grant of the exemption, or continuance thereof, under this clause:
- Provided further that the Central Government may, before notifying the association or institution under this clause call for such documents (including audited annual accounts) or information from the association or institution as it thinks necessary in order to satisfy itself about the genuineness of the activities of the association or institution and that Government may also make such inquiries as it may deem necessary in this behalf:
- Provided also that the association or institution, —
- (a) applies its income or accumulates it for application, wholly and exclusively to the objects for which it is established and the provisions of sub-section (2) and sub-section (3) of section 11 shall apply in relation to such accumulation subject to the following modifications, namely:—
 - (i) in sub-section (2), —
 - (1) the words, brackets, letters and figure "referred to in clause (a) or clause (b) of sub-section (1) read with the Explanation to that sub-section" shall be omitted;
 - (2) for the words "to charitable or religious purposes", the words "for the purposes of games or sports" shall be substituted;
 - (3) the reference to "Assessing Officer" in clause (a) thereof shall be construed as a reference to the "prescribed authority" referred to in the first proviso to this clause;
 - (ii) in sub-section (3), in clause (a), for the words "charitable or religious purposes", the words "the purposes of games or sports" shall be substituted; and
 - (b) does not invest or deposit its funds, other than—
 - (i) any assets held by the association or institution where such assets form part of the corpus of the fund of the association or institution as on the 1st day of June, 1973;
 - (ii) any assets (being debentures issued by, or on behalf of, any company or corporation), acquired by the association or institution before the 1st day of March, 1983;
 - (iii) any accretion to the shares, forming part of the corpus of the fund mentioned in sub-clause (i), by way of bonus shares allotted to the association or institution;
 - (iv) voluntary contributions received and maintained in the form of jewellery, furniture or any other article as the Board may, by notification in the Official Gazette, specify,
- for any period during the previous year otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11; and
- (c) does not distribute any part of its income in any manner to its members except as grants to any association or institution affiliated to it:
- Provided also that the exemption under this clause shall not be denied in relation to any funds invested or deposited before the 1st day of April, 1989 otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11 if such funds do not continue to remain so invested or deposited after the 30th day of March, 1993:
- Provided also that the exemption under this clause shall not be denied in relation to voluntary contribution, other than voluntary contribution in cash or voluntary contribution of the nature referred to in clause (b) of the third proviso to this clause, subject to the condition that such voluntary contribution is not held by the association or institution, otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11, after the expiry of one year from the end of the previous year in which such asset is acquired or the 31st day of March, 1992, whichever is later:
- Provided also that nothing contained in this clause shall apply in relation to any income of the association or institution, being profits and gains of business unless the business is incidental to the attainment of its objectives and separate books of accounts are maintained by it in respect of such business:
- Provided also that any notification issued by the Central Government under this clause in relation to any association or institution shall, at any one time, have effect for such assessment year or years, not exceeding three assessment years

Section

- 10(23) (including an assessment year or years commencing before the date on which such notification is issued) as may be specified in the notification;
- 10(23A) any income (other than income chargeable under the head "Income from house property" or any income received for rendering any specific services or income by way of interest or dividends derived from its investments) of an association or institution established in India having as its object the control, supervision, regulation or encouragement of the profession of law, medicine, accountancy, engineering or architecture or such other profession as the Central Government may specify in this behalf, from time to time, by notification in the Official Gazette:
- Provided that—
- (i) the association or institution applies its income, or accumulates it for application, solely to the objects for which it is established; and
 - (ii) the association or institution is for the time being approved for the purpose of this clause by the Central Government by general or special order;
- 10(23AA) any income received by any person on behalf of any Regimental Fund or Non-Public Fund established by the armed forces of the Union for the welfare of the past and present members of such forces or their dependents;
- 10(23B) any income of an institution constituted as a public charitable trust or registered under the Societies Registration Act, 1860, or under any law corresponding to that Act in force in any part of India, and existing solely for the development of khadi or village industries or both, and not for purposes of profit, to the extent such income is attributable to the business of production, sale, or marketing, of khadi or products of village industries:
- Provided that—
- (i) the institution applies its income, or accumulates it for application, solely for the development of khadi or village industries or both; and
 - (ii) the institution is, for the time being, approved for the purpose of this clause by the Khadi and Village Industries Commission:
- Provided further that the Commission shall not, at any one time, grant such approval for more than three assessment years beginning with the assessment year next following the financial year in which it is granted.
- Explanation.*—For the purposes of this clause,—
- (i) "Khadi and Village Industries Commission" means the Khadi and Village Industries Commission established under the Khadi and Village Industries Commission Act, 1956;
 - (ii) "khadi" and "village industries" have the meanings respectively assigned to them in that Act;
- 10(23BB) any income of an authority (whether known as the Khadi and Village Industries Board or by any other name) established in a State by or under a State or Provincial Act for the development of khadi or village industries in the State.
- Explanation.*—For the purposes of this clause, "khadi" and "village industries" have the meanings respectively assigned to them in the Khadi and Village Industries Commission Act, 1956;
- 10(23BBA) any income of any body or authority (whether or not a body corporate or corporation sole) established, constituted or appointed by or under any Central, State or Provincial Act which provides for the administration of any one or more of the following, that is to say, public religious or charitable trusts or endowments (including maths, temples, gurdwaras, wakfs, churches, synagogues, agiaries or other places of public religious worship) or societies for religious or charitable purposes registered as such under the Societies Registration Act, 1860, or any other law for the time being in force:
- Provided that nothing in this clause shall be construed to exempt from tax the income of any trust, endowment or society referred to therein;
- 10(23BBB) any income of the European Economic Community derived in India by way of interest, dividends or capital gains from investments made out of its funds under such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf.
- Explanation.*—For the purposes of this clause, "European Economic Community" means the European Economic Community established by the Treaty of Rome of 25th March, 1957;
- 10(23C) any income received by any person on behalf of—
- (i) the Prime Minister's National Relief Fund; or
 - (ii) the Prime Minister's Fund (Promotion of Folk Art); or
 - (iii) the Prime Minister's Aid to Students Fund; or
 - (iiia) the National Foundation for Communal Harmony; or
 - (iv) any other fund or institution established for charitable purposes which may be notified by the Central Government in the Official Gazette, having regard to the objects of the fund or institution and its importance throughout India or throughout any State or States; or
 - (v) any trust (including any other legal obligation) or institution wholly for public religious purposes or wholly for public religious and charitable purposes, which may be notified by the Central Government in the Official Gazette, having regard to the manner in which the affairs of the trust or institution are administered and supervised for ensuring that the income accruing thereto is properly applied for the objects thereof:
- Provided that the fund or trust or institution referred to in sub-clause (iv) or sub-clause (v) shall make an application in the prescribed form and manner to the prescribed authority for the purpose of grant of the exemption, or continuance thereof, under sub-clause (iv) or sub-clause (v):

Section

10(23C)

Provided further that the Central Government may, before notifying the fund or trust or institution under sub-clause (iv) or sub-clause (v), call for such documents (including audited annual accounts) or information from the fund or trust or institution as it thinks necessary in order to satisfy itself about the genuineness of the activities of the fund or trust or institution and that Government may also make such inquiries as it may deem necessary in this behalf:

Provided also that the fund or trust or institution referred to in sub-clause (iv) or sub-clause (v) —

(a) applies its income, or accumulates it for application, wholly and exclusively to the objects for which it is established; and

(b) does not invest or deposit its funds, other than—

(i) any assets held by the fund, trust or institution where such assets form part of the corpus of the fund, trust or institution as on the 1st day of June, 1973;

(ii) any assets (being debentures issued by, or on behalf of, any company or corporation), acquired by the fund, trust or institution before the 1st day of March, 1983;

(iii) any accretion to the shares, forming part of the corpus of the fund mentioned in sub-clause (i), by way of bonus shares allotted to the fund, trust or institution;

(iv) voluntary contributions received and maintained in the form of jewellery, furniture or any other article as the Board may, by notification in the Official Gazette, specify,

for any period during the previous year otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11:

Provided also that the exemption under sub-clause (iv) or sub-clause (v) shall not be denied in relation to any funds invested or deposited before the 1st day of April, 1989 otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11 if such funds do not continue to remain so invested or deposited after the 30th day of March, 1993:

Provided also that the exemption under sub-clause (iv) or sub-clause (v) shall not be denied in relation to voluntary contribution, other than voluntary contribution in cash or voluntary contribution of the nature referred to in clause (b) of the third proviso to this sub-clause, subject to the condition that such voluntary contribution is not held by the trust or institution, otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11, after the expiry of one year from the end of the previous year in which such asset is acquired or the 31st day of March, 1992, whichever is later:

Provided also that nothing contained in sub-clause (iv) or sub-clause (v) shall apply in relation to any income of the fund or trust or institution, being profits and gains of business, unless the business is incidental to the attainment of its objectives and separate books of accounts are maintained by it in respect of such business:

Provided also that any notification issued by the Central Government under sub-clause (iv) or sub-clause (v) shall, at any one time, have effect for such assessment year or years, not exceeding three assessment years (including an assessment year or years commencing before the date on which such notification is issued) as may be specified in the notification;

10(23D)

any income of such Mutual Fund set up by a public sector bank or a public financial institution or authorised by the Securities and Exchange Board of India or the Reserve Bank of India and subject to such conditions, as the Central Government may, by notification in the Official Gazette, specify in this behalf.

Explanation.—For the purposes of this clause,—

(a) the expression “public sector bank” means the State Bank of India constituted under the State Bank of India Act, 1955, a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959, a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980;

(b) the expression “public financial institution” shall have the meaning assigned to it in section 4A of the Companies Act, 1956;

(c) the expression “Securities and Exchange Board of India” shall have the meaning assigned to it in clause (a) of sub-section (1) of section 2 of the Securities and Exchange Board of India Act, 1992;

10(23E)

any income of such Exchange Risk Administration Fund set up by public financial institutions, either jointly or separately, as the Central Government may, by notification in the Official Gazette, specify in this behalf:

Provided that where any amount standing to the credit of the Fund and not charged to income-tax during any previous year is shared, either wholly or in part, with a public financial institution, the whole of the amount so shared shall be deemed to be the income of the previous year in which such amount is so shared and shall accordingly be chargeable to income-tax.

Explanation.—For the purposes of this clause, the expression “public financial institution” shall have the meaning assigned to it in section 4A of the Companies Act, 1956;

10(24)

any income chargeable under the heads “Income from house property” and “Income from other sources” of a registered union within the meaning of the Indian Trade Unions Act, 1926, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen;

10(25)

(i) interest on securities which are held by, or are the property of, any provident fund to which the Provident Funds Act, 1925, applies, and any capital gains of the fund arising from the sale, exchange or transfer of such securities;

(ii) any income received by the trustees on behalf of a recognised provident fund;

(iii) any income received by the trustees on behalf of an approved superannuation fund;

(iv) any income received by the trustees on behalf of an approved gratuity fund;

Section

- 10(25) (v) any income received—
 (a) by the Board of Trustees constituted under the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948, on behalf of the Deposit-linked Insurance Fund established under section 3G of that Act; or
 (b) by the Board of Trustees constituted under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, on behalf of the Deposit-linked Insurance Fund established under section 6C of that Act;
- 10(26) in the case of a member of a Scheduled Tribe as defined in clause (25) of article 366 of the Constitution, residing in any area specified in Part I or Part II of the Table appended to paragraph 20 of the Sixth Schedule to the Constitution or in the States of Nagaland, Manipur and Tripura or in the Union territories of Arunachal Pradesh and Mizoram⁵ or in the areas covered by notification No. TAD/R/35/50/109, dated the 23rd February, 1951, issued by the Governor of Assam under the proviso to sub-paragraph (3) of the said paragraph 20 [as it stood immediately before the commencement of the North-Eastern Areas (Reorganisation) Act, 1971], any income which accrues or arises to him,—
 (a) from any source in the areas, States or Union territories aforesaid⁶, or
 (b) by way of dividend or interest on securities;
- 10(26A) any income accruing or arising to any person from any source in the district of Ladakh or outside India in any previous year relevant to any assessment year commencing before the 1st day of April, 1989, where such person is resident in the said district in that previous year:
 Provided that this clause shall not apply in the case of any such person unless he was resident in that district in the previous year relevant to the assessment year commencing on the 1st day of April, 1962.
Explanation 1.—For the purposes of this clause, a person shall be deemed to be resident in the district of Ladakh if he fulfils the requirements of sub-section (1) or sub-section (2) or sub-section (3) or sub-section (4) of section 6, as the case may be, subject to the modifications that—
 (i) references in those sub-sections to India shall be construed as references to the said district; and
 (ii) in clause (i) of sub-section (3), reference to Indian company shall be construed as reference to a company formed and registered under any law for the time being in force in the State of Jammu and Kashmir and having its registered office in that district in that year;
Explanation 2.—In this clause, references to the district of Ladakh shall be construed as references to the areas comprised in the said district on the 30th day of June, 1979;
- 10(26AA) any income of a person by way of winnings from any lottery, the draw of which is held in pursuance of any agreement entered into on or before the 28th day of February, 1989 between the State Government of Sikkim and the organising agents of such lottery, where such person is resident in the State of Sikkim in any previous year.
Explanation.—For the purposes of this clause, a person shall be deemed to be resident in the State of Sikkim if he fulfils the requirements of clause (1) or clause (2) or clause (3) or clause (4) of section 6, as the case may be, subject to the modifications that—
 (i) references in those clauses to India shall be construed as references to the State of Sikkim; and
 (ii) in sub-clause (i) of clause (3), reference to Indian company shall be construed as reference to a company formed and registered under any law for the time being in force in the State of Sikkim and having its registered office in that State in that year;
- 10(26B) any income of a corporation established by a Central, State or Provincial Act or of any other body, institution or association (being a body, institution or association wholly financed by Government) where such corporation or other body or institution or association has been established or formed for promoting the interests of the members of the Scheduled Castes or the Scheduled Tribes or backward classes or of any two or all of them.
Explanation.—For the purposes of this clause,—
 (a) "Scheduled Castes" and "Scheduled Tribes" shall have the meanings respectively assigned to them in clauses (24) and (25) of article 366 of the Constitution;
 (b) "backward classes" means such classes of citizens, other than the Scheduled Castes and the Scheduled Tribes, as may be notified—
 (i) by the Central Government; or
 (ii) by any State Government,
 as the case may be, from time to time;
- 10(27) any income of a co-operative society formed for promoting the interests of the members of either the Scheduled Castes or Scheduled Tribes or both referred to in clause (26B):
 Provided that the membership of the co-operative society consists of only other co-operative societies formed for similar purposes and the finances of the society are provided by the Government and such other societies;
- 10(28) any amount adjusted or paid in respect of a tax credit certificate under the provisions of Chapter XXII B and any scheme made thereunder;
- 10(29) in the case of an authority constituted under any law for the time being in force for the marketing of commodities, any income derived from the letting of godowns or warehouses for storage, processing or facilitating the marketing of commodities;
- 10(30) in the case of an assessee who carries on the business of growing and manufacturing tea in India, the amount of any subsidy received from or through the Tea Board under any such scheme for replantation or replacement of tea bushes or for rejuvenation or consolidation of areas used for cultivation of tea as the Central Government may, by notification in the Official Gazette, specify:

5. W.e.f. 1-4-1995, for the words "States of Nagaland, Manipur and Tripura or in the Union territories of Arunachal Pradesh and Mizoram", the words "States of Arunachal Pradesh, Manipur, Mizoram, Nagaland and Tripura" shall be substituted.

6. W.e.f. 1-4-1995, for the words, "States or Union territories aforesaid", the words, "or States aforesaid" shall be substituted.

Section

10(30)

Provided that the assessee furnishes to the Assessing Officer, along with his return of income for the assessment year concerned or within such further time as the Assessing Officer may allow, a certificate from the Tea Board as to the amount of such subsidy paid to the assessee during the previous year.

Explanation.—In this clause, "Tea Board" means the Tea Board established under section 4 of the Tea Act, 1953.

10(31)

in the case of an assessee who carries on the business of growing and manufacturing rubber, coffee, cardamom or such other commodity in India, as the Central Government may, by notification in the Official Gazette, specify in this behalf, the amount of any subsidy received from or through the concerned Board under any such scheme for replantation or rejuvenation or consolidation of areas used for cultivation of rubber, coffee, cardamom or such other commodity as the Central Government may, by notification in the Official Gazette, specify:

Provided that the assessee furnishes to the Assessing Officer, along with his return of income for the assessment year concerned or within such further time as the Assessing Officer may allow, a certificate from the concerned Board, as to the amount of such subsidy paid to the assessee during the previous year.

Explanation.— In this clause, "concerned Board" means,—

(i) in relation to rubber, the Rubber Board constituted under section 4 of the Rubber Act, 1947,

(ii) in relation to coffee, the Coffee Board constituted under section 4 of the Coffee Act, 1942,

(iii) in relation to cardamom, the Spices Board constituted under section 3 of the Spices Board Act, 1986,

(iv) in relation to any other commodity specified under this clause, any Board or other authority established under any law for the time being in force which the Central Government may, by notification in the Official Gazette, specify in this behalf;

10(32)

in the case of an assessee referred to in sub-section (1A) of section 64, any income includible in his total income under that sub-section, to the extent such income does not exceed one thousand five hundred rupees in respect of each minor child whose income is so includible.

YOUR RIGHT TO CLAIM DEDUCTIONS FROM THE GROSS TOTAL INCOME

CHAPTER VIA

[For and from assessment year 1991-92 and onwards]

Sections 80CCA to 80V specifies the deductions to be made from the gross total income. Gross total income means the total income, under all heads of income, computed in accordance with the provisions of the Act [Section 80B(5)].

The gross total income is to be arrived at before allowing any deduction under Chapter VIA and after setting off unabsorbed losses, depreciation, etc. of the earlier years. While deductions u/s. 80CCA to 80GGA are in respect of certain payments made by the assessee, the deductions u/s. 80HH to 80RRA are in respect of certain incomes.

The deduction in respect of certain incomes are to be allowed against the net income, that is after deducting expenses, etc. incurred for earning the gross income. In other words, income against which the deduction is to be allowed will first be computed as per the provisions of the Act and thereafter the deduction u/s. 80HH to 80RRA will be computed and allowed in respect of such net income [Sections 80AA & 80AB].

EXAMPLE: For assessment year 1994-95, the dividend income of Mr. A is Rs. 10,350. In order to earn this income, he had paid Rs. 500 by way of interest on borrowings and Rs. 50 by way of commission to a banker for the purpose of realisation of dividend income. The dividend income will be taxed under section 56 and the deduction will be allowed under section 57 for interest on borrowings and bank commission. The net dividend income will be Rs. 10,350 *Less* Rs. 550 (Rs. 500 + Rs. 50) = Rs. 9,800. The deduction under section 80L, read with section 80AB, will be Rs. 9,800 only.

It may be noted that the aggregate amount of the deductions under Chapter VIA should not, in any case, exceed the gross total income [Section 80A(2)].

I. DEDUCTIONS IN RESPECT OF CERTAIN PAYMENTS:

(i) Deduction in respect of deposits under National Savings Scheme or payment to annuity plan:

(Refer Section 80CCA)

Assessment years 1991-92 & 1992-93:

Conditions:

- (i) The assessee is either an individual or a Hindu undivided family;
- (ii) the assessee has in the previous year ending on 31-3-91 & 31-3-92—

(a) deposited any amount in National Savings Scheme or w.c.f. 1-10-1991, deposited any amount in notified scheme [National Savings Scheme referred to in the National Savings Scheme Rules, 1987 specified vide Notification No. S.O. 663(E), dt. 1-10-1991], or

(b) paid any amount to effect or to keep in force a contract of such annuity plan of the Life Insurance Corporation as is notified by the Central Government (i.e. "Jeevan Dhara" and "Jeevan Akshay" plans),

out of his income chargeable to tax a sum not exceeding Rs. 40,000 for assessment years 1991-92 & 1992-93;

(iii) (a) where any amount (including interest accrued) standing to the credit of assessee under the National Savings Scheme/notified scheme [referred to in (ii)(a), above] in respect of which a deduction has been allowed is withdrawn in whole or in part in any previous year, the whole of the amount so withdrawn shall be deemed to be the income of the previous year in which withdrawal is made, or

(b) where any amount is received on account of surrender of the policy or as annuity or bonus in any previous year, the whole of the amount so received shall be deemed to be the income of the previous year in which the amount is received.

However, in accordance with the terms of annuity plan of L.I.C., in respect of which payment has been made before 1-4-1992, the surrender value of policy received will not be deemed to be the income if the said policy is surrendered before 1-10-1992; and

(iv) interest on the deposits made under the National Savings Scheme/notified scheme [referred to in (ii)(a) above] will be taxable only in the year of withdrawal.

Amount of deduction:

Assessment years 1991-92 & 1992-93 .. 100% of the amount so deposited/paid as does not exceed Rs. 40,000.

NOTE: Amount received under the National Savings Scheme by the legal heirs on the death of the depositor is not chargeable to income-tax in the hands of the legal heirs. Similarly, the amount paid by way of Gross Insurance Value Element under annuity plans of LIC [as referred to in (ii)(b) above] to the nominee or legal heirs of the assessee after his death will also not be chargeable to income-tax in the hands of nominee/legal heirs [Circular No. 532 dt. 17-3-1989. 176 ITR (St.) 327]. However, amounts paid to an assessee on closure of account under the National Savings Scheme on the expiry of 3 years would be taxable u/s. 80CCA(2) [Vide Circular No. 534 dt. 7-4-89. 177 ITR (St.) 33].

Section 80CCA(3) provides that where a partition has taken place among the members of a Hindu undivided family after a deduction has been allowed to it, the amount received by a person shall be deemed to be the income of the recipient and taxed accordingly.

(ii) Deduction in respect of investment made under Equity Linked Savings Scheme:

(Section 80CCB)

*Assessment years 1991-92 & 1992-93:***Conditions:**

- (i) The assessee is either an individual or a Hindu undivided family;
- (ii) the assessee has acquired in the previous year ending on 31-3-1991 & 31-3-1992, out of his income chargeable to tax units of any Mutual Fund specified in section 10(23D) or units of the Unit Trust of India, under any plan formulated in accordance with the notified scheme¹ (hereafter referred to as the "Equity Linked Savings Scheme");
- (iii) where any amount invested in the units issued under a plan formulated under the Equity Linked Savings Scheme in respect of which a deduction has been allowed is returned in whole or in part either by way of repurchase of such units or on the termination of the plan, by the Fund or the Trust, as the case may be, in any previous year, it will be deemed to be the income of that previous year and charged to tax accordingly.

However, as per clause (c) of Para 6 of the Equity Linked Savings Scheme, 1991 [Refer 188 ITR (St.) 10], any withdrawal made by a nominee or legal heir of the deceased assessee will not form part of the taxable income of the nominee or the legal heir in the year of withdrawal.

Further, the difference between repurchase price and amount invested in units will be deemed to be the capital gains arising in the previous year in which such repurchase takes place or the plan is terminated [Refer section 45(6)]; and

(iv) where a Hindu undivided family which has availed of deduction, is partitioned, the amount returned shall be deemed to be the income of the recipient and taxed accordingly as stated in (iii) above.

Amount of deduction:

Where the amount of investment made under "Equity Linked Savings Scheme"—

- | | | |
|--------------------------------|---------|------------------------|
| (1) does not exceed Rs. 10,000 | .. .. . | the whole of such sum. |
| (2) exceeds Rs. 10,000 | .. .. . | Rs. 10,000. |

(iii) Deduction in respect of medical insurance premia:

(Refer Section 80D)

Conditions:*Assessment years 1991-92 to 1995-96:*

- (1) Medical insurance premia is paid by cheque in the previous year out of his income chargeable to tax and such premia is paid—
 - (a) in the case of individual, on his health or on the health of his spouse or dependent parents or dependent children; and
 - (b) in the case of Hindu undivided family, on the health of any member of the family; and
- (2) such insurance is in accordance with a scheme framed in this behalf by the General Insurance Corporation of India and approved by the Central Government.

Amount of deduction:*Assessment years 1991-92 & 1992-93:*

- | | | |
|---|---------|-----------------------|
| (1) where such premia does not exceed Rs. 3,000 | .. .. . | the whole of such sum |
| (2) where such premia exceeds Rs. 3,000 | .. .. . | Rs. 3,000. |

Assessment years 1993-94 to 1995-96:

- | | | |
|---|---------|-----------------------|
| (1) where such premia does not exceed Rs. 6,000 | .. .. . | the whole of such sum |
| (2) where such premia exceeds Rs. 6,000 | .. .. . | Rs. 6,000. |

(iv) Deduction in respect of medical treatment, etc., of handicapped dependents:

(Section 80DD)

*Assessment years 1991-92 to 1995-96:***Conditions:**

- (i) The assessee is either an individual who is resident in India or a Hindu undivided family who is resident in India;
- (ii) for assessment years 1991-92 and 1992-93, the total (taxable) income of the assessee before allowing any deduction under this section does not exceed Rs. 1,00,000;
- (iii) the assessee has, during the previous year, incurred any expenditure for the medical treatment (including nursing), training and rehabilitation of a person who—
 - (a) is a relative of the individual or, as the case may be, is a member of the HUF and is not dependent on any person other than assessee for his support and maintenance, and

1. (a) Notified schemes for assessment year 1991-92, are: (a) Master Equity Plan-1991, (b) Magnum Equity Linked Savings Scheme, 1990-91, (c) Dhan 80CCB(1), (d) Canpep Personal Equity Plan, and (e) PNB Equity Linked Savings Scheme, 1991.
- (b) Notified scheme, for assessment year 1992-93, are: (a) Master Equity Plan, 1992, (b) Magnum G.I.F.T.S. Scheme, (c) Dhan 80CCB(2), (d) Canpep, 1992, (e) PNB ELSS-1992, (f) IND SHELTER, and (g) BOINANZA 80CCB GCTSS 1992.

(b) is suffering from a permanent physical disability (including blindness) or is subject to mental retardation, specified in rule 11A of the I.T. Rules, 1962 [Refer 193 ITR (St.) 115]. For gist of Circular No. 653, refer sub-item 'C' of item 'I' on page 310. The permanent physical disability, etc. should be certified by a physician, surgeon, oculist or psychiatrist, as the case may be, working in a Government hospital.

"Government hospital" includes a departmental dispensary whether full-time or part-time established and run by a Department of the Government for the medical attendance and treatment of a class or classes of Government servants and members of their families, a hospital maintained by a local authority and any other hospital with which arrangements have been made by the Government for the treatment of Government servants; and

(iv) the permanent physical disability, etc. should have the effect of reducing considerably such handicapped person's capacity for normal work or engaging in a gainful employment or occupation.

Amount of deduction:

In computing the total income of such assessee for assessment years 1991-92 & 1992-93	.. ..	Rs. 6,000
In computing the total income of such assessee for assessment year 1993-94	.. ..	Rs. 12,000
In computing the total income of such assessee for assessment years 1994-95 & 1995-96	.. ..	Rs. 15,000.

(iva) Deduction in respect of repayment of loan taken for higher education:

(Section 80E)

For the notes in respect of deduction u/s. 80E, refer Para 10.1 on page 38.

(v) Deduction in respect of donations to certain funds, charitable institutions, etc.:

(Refer Section 80G)

Assessment years 1991-92 to 1995-96:

Conditions:

- (i) Upto assessment year 1993-94, the aggregate donations must be Rs. 250 or more;
- (ii) the qualifying amount of aggregate donations under items (iv) & (v) given below should not exceed 10% of the gross total income as reduced by deductions permissible under other provisions of Chapter VI A;
- (iii) the monetary ceiling stated in (ii) above does not apply in cases where the donations are made to:
 - (a) the National Defence Fund, (b) the Jawaharlal Nehru Memorial Fund, (c) the Prime Minister's Drought Relief Fund, (d) the Prime Minister's National Relief Fund, (e) the National Children's Fund, (f) the Indira Gandhi Memorial Trust, (g) the Prime Minister's Armenia Earthquake Relief Fund, (h) the Africa (Public Contributions-India) Fund, (i) the Rajiv Gandhi Foundation (from assessment year 1992-93), (j) the National Foundation for Communal Harmony (from assessment year 1993-94), (k) a University or any educational institution of national eminence as may be approved (from assessment year 1994-95), and (l) the Maharashtra Chief Minister's Relief Fund during the period 1-10-93 to 6-10-93 or the Chief Minister's Earthquake Relief Fund, Maharashtra (From assessment year 1994-95);
- (iv) the donations must be to those approved institutions or funds established in India for a charitable purpose and fulfilling the conditions prescribed under the Income-tax Act;
- (v) donations made by an assessee to approved sport associations or institutions under section 10(23) will be regarded as donations made to charitable institutions and will qualify for deduction under section 80G; and
- (vi) only donations in form of money and not in kind will qualify for deduction.

Percentage of deduction:

In computing the total income of any assessee—

- (i) where the donations are made: (1) to the Government or to any such local authority, institution or association, as may be approved by the Central Government to be utilised for the purpose of promoting family planning or (2) to Prime Minister's National Relief Fund or (3) to Prime Minister's Armenia Earthquake Relief Fund or (4) to the Africa (Public Contributions-India) Fund or (5) to National Foundation for Communal Harmony [from assessment year 1993-94] or (6) to University or any educational institution of national eminence approved by the prescribed authority [from assessment year 1994-95] or (7) to the Maharashtra Chief Minister's Relief Fund during the period 1-10-93 to 6-10-93 or to the Chief Minister's Earthquake Relief Fund, Maharashtra [from assessment year 1994-95] 100% of qualifying donations.
- (ii) in any other case 50% of qualifying donations.

NOTE: Where deduction in respect of donations is claimed and allowed under section 80G for any assessment year, deduction in relation to such sum shall not be allowed under any other provision of the Income-tax Act for the same or any other assessment year.

W.e.f. 1-4-1993, the approval to be granted by the Commissioner to the institutions/funds shall have effect for a period not exceeding five assessment years, as may be specified in the approval.

(vi) Deduction in respect of rents paid:

(Refer Section 80GG)

Assessment years 1991-92 to 1995-96:

Conditions:

- (i) The rent paid is in excess of 10% of his total income before allowing any deduction under this section,
- (ii) the rent paid is in respect of accommodation occupied for the purposes of his own residence subject to the condition that such accommodation is situated in any of the following places: (a) Agra, Ahmedabad, Allahabad, Amritsar, Bangalore, Bhopal, Calcutta, Coimbatore, Delhi, Faridabad, Gwalior (Lashkar), Hyderabad, Indore, Jabalpur, Jaipur, Kanpur, Lucknow, Ludhiana City, Madurai, Nagpur, Patna, Poona, Srinagar, Surat, Vadodara (Baroda) or Varanasi (Banaras) or the urban agglomeration of each of such places; (b) Bombay, Calicut, Cochin, Ghaziabad, Hubli-Dharwar, Madras, Sholapur, Trivandrum or Visakhapatnam,
- (iii) the deduction is to be claimed only in cases where any residential accommodation is not owned by the assessee or by his spouse or minor child or by Hindu undivided family of which he is a member.

However, the deduction in respect of rents paid will be denied only where the assessee, his spouse or minor child or the Hindu undivided family of which he is a member, owns any residential accommodation at the place where the assessee resides or performs the duties of his office or employment or carries on his business or profession. Thus, where the assessee or his spouse or minor child or a Hindu undivided family of which he is a member owns any residential accommodation elsewhere (i.e., at places other than the place where he ordinarily performs his duties of employment or carries on business or profession) the deduction under this section will not be denied. In cases where the assessee owns any residential accommodation at any other place and he claims concession in respect of self-occupied house property in respect of such accommodation, the deduction available under this section will be denied even if he does not own any residential accommodation at the place where he ordinarily resides or performs the duties of his office or employment or carries on his business or profession, and

- (iv) the assessee, being an employee, who is entitled to house rent allowance from the employer is eligible for exemption under section 10(13A) of the Act (refer page 76) but not for deduction under section 80GG.

Amount of deduction:

25% of total income or Rs. 1,000 per month, whichever is less.

Example: Mr. A pays rent of Rs. 1,250 per month. His gross total income for the assessment years 1991-92 to 1995-96 is Rs. 60,000. Deduction u/s. 80GG is to be claimed as explained hereunder:

Gross total income	Rs.	60,000
Less: Deductions under Chapter VIA:		
(1) Mediclaim insurance premia (section 80D)	Rs.	2,000
(2) Dividends & interest from bank (section 80L)	Rs.	4,500
	Rs.	6,500
	Rs.	53,500
	Base for deduction under section 80GG ²	
Rent paid (Rs. 1,250 × 12 months)	Rs.	15,000
Less: 10% of Rs. 53,500 as computed above	Rs.	5,350
Rent paid in excess	Rs.	9,650
(1) Rent paid in excess	Rs.	9,650
(2) 25% of total income viz. Rs. 53,500	Rs.	13,375
(3) Ceiling amount of Rs. 1,000 per month × 12 months	Rs.	12,000
The least of the above viz. Rs. 9,650 is allowable as deduction under section 80GG	Rs.	9,650
Taxable income	Rs.	43,850

(vii) Deduction in respect of certain donations for scientific research or rural development:

(Refer Section 80GGA)

Assessment years 1991-92 to 1995-96:

Conditions:

Any sum paid by an assessee in the previous year to—

- (i) a scientific research association which has as its object the undertaking of scientific research or to a University, college or other institution to be used for scientific research subject to the condition that the association, University, college or institution is approved under section 35(1)(ii) by the prescribed authority under Rule 6 of I.T. Rules, 1962,
- (ii) a university, college or other institution to be used for research in social science or statistical research subject to the condition that such university, college or institution is approved u/s. 35(1)(iii) by the prescribed authority [applicable from assessment year 1992-93],
- (iii) (a) an association or institution, which has as its object the undertaking of any programme of rural development, to be used for carrying out any programme of rural development approved for the purposes of section 35CCA and the association or institution is approved under section 35CCA(2),

2. Under the Explanation to section 80GG, the base to be adopted in this example for deduction under section 80GG is Rs. 53,500. The gross total income in this example is Rs. 60,000 and the total income is Rs. 43,850. The Explanation states that "10% or 25% of his total income" shall mean 10% or 25%, as the case may be, of the assessee's total income before allowing deduction for any expenditure under section 80GG [Refer Circular No. 327 dt. 8-2-82. 135 ITR (St.) 6].

(b) an association or institution which has as its object the training of persons for implementing programmes of rural development and the association or institution is approved under section 35CCA(2A).

Subject to the condition that the assessee produces certificate from such association or institution as required for the purposes of sub-section (2) and (2A) of section 35CCA,

(iv) a public sector company or a local authority or to an association or an institution approved by the National Committee, for carrying out any eligible project or scheme subject to the condition that the assessee furnishes the certificate referred to in section 35AC(2)(a) from such public sector company/local authority/association/institution [applicable from assessment year 1992-93],

(v) an association or institution which has as its object the undertaking of any programme:

(a) of conservation of natural resources, to be used for carrying out any programme of conservation of natural resources approved for the purposes of section 35CCB(2), or

(b) of afforestation, to be used for carrying out any programme of afforestation approved for the purposes of section 35CCB(2),

(vi) to such fund for afforestation as is notified by the Central Government u/s. 35CCB (1)(b),

(vii) a rural development fund set up and notified by the Central Government for the purposes of section 35CCA(1)(c):

shall be deducted in computing the total income of an assessee subject to the following conditions:—

(1) deduction under this section is not admissible in the case of an assessee whose gross total income includes income under the head "Profits and gains of business or profession", and

(2) where a deduction under this section is claimed and allowed for any assessment year in respect of payments, referred to above, deduction shall not be allowed in respect of such payments under any other provision of the Income-tax Act, 1961 for the same or any other assessment year.

Amount of deduction:

1. Sums paid to a scientific research association, or to a University, college or to an institution to be used for: (a) scientific research & (b) from assessment year 1992-93 and onwards, research in social science or statistical research the whole of such amount.
2. Sums paid to an association or institution whose object is either the undertaking of any programme for rural development or the training of persons for implementing programmes of rural development or undertaking programme of conservation of natural resources/afforestation or notified fund for afforestation/or rural development fund or from assessment year 1992-93 and onwards, sums paid to a public sector company/local authority/approved association or institution for carrying out any eligible project/scheme . . . the whole of such amount.

II. DEDUCTIONS IN RESPECT OF CERTAIN INCOMES:

(viii) Deduction in respect of profits and gains from newly established industrial undertakings or hotel business in backward areas¹:

(Refer Section 80HH)

Assessment years 1991-92 to 1995-96:

Conditions:

(a) In respect of any industrial undertaking:

(i) It has begun or begins to manufacture or produce articles after 31-12-1970 but before 1-4-1990 in any backward area¹,

(ii) it is not formed by splitting up, or the reconstruction, of a business already in existence in any backward area¹.

However, in the case of an industrial undertaking which is formed by splitting up or reconstruction of a business already in existence in a non-backward area and industrial undertaking shifting from non-backward area to backward area will qualify for the tax concession under this section,

(iii) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose in any backward area¹, subject to exception in certain cases i.e. total value of machinery or plant or any part thereof so transferred does not exceed 20% of the total value of machinery or plant used in business, and

(iv) it employs 10 or more workers in a manufacturing process carried on with the aid of power, or employs 20 or more workers in a manufacturing process carried on without the aid of power.

(b) In respect of any hotel:

(i) The business of the hotel has started or starts functioning after 31-12-1970 but before 1-4-1990 in any backward area¹,

(ii) the business of the hotel is not formed by the splitting up, or the reconstruction, of a business already in existence anywhere, and

(iii) the hotel is for the time being approved by the Central Government.

3. "Backward area" means such area as the Central Government may, by notification in the Official Gazette, specify in this behalf [Notification No. S.O. 165 dt. 19-12-1986. Refer 165 ITR (St.) 294]. However, the Board has clarified that "All areas specified in the Eighth Schedule will continue to enjoy benefit of section 80HH in respect of an industrial undertaking which begins to manufacture or produce articles before 10-9-86 or in respect of business of a hotel which starts functioning before 10-9-86" [Circular No. 224 dt. 19-12-1986, 165 ITR (St.) 294].

Percentage of deduction:

20% deduction in respect of profits and gains (before deduction allowable under section 80I or section 80J) derived from an industrial undertaking or the business of a hotel shall be allowed in computing the total income in respect of each of the ten assessment years beginning with the assessment year in which the industrial undertaking begins to manufacture or produce articles or the business of the hotel starts functioning.

Assessee other than companies and co-operative societies will have to furnish report of audit in the prescribed Form No. 10C along with the return of income.

NOTE: The deduction under this section will not be allowed where an assessee has availed of deduction u/s. 80HHA for any assessment year.

(ix) Deduction in respect of profits and gains from newly established small-scale industrial undertakings in certain areas:

(Refer Section 80HHA)

Assessment years 1991-92 to 1995-96:

Conditions:

(i) Small-scale industrial undertaking⁴ begins to manufacture or produce articles after 30-9-1977 but before 1-4-1990, in any rural area⁵,

(ii) it is not formed by the splitting up, or the reconstruction, of a business already in existence.

However, this condition will not apply in the case of small-scale industrial undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B,

(iii) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose.

However, this condition shall not apply in cases where the total value of the machinery or plant or part so transferred does not exceed 20% of the total value of the machinery or plant used in the business,

(iv) it employs ten or more workers in a manufacturing process carried on with the aid of power, or employs twenty or more workers in a manufacturing process carried on without the aid of power,

(v) the provisions contained in this section shall not apply in cases where the small-scale industrial undertaking is engaged in mining or has claimed deduction under section 80HH & the same is allowed under that section for any assessment year, and

(vi) assessee other than companies and co-operative societies are required to furnish report of audit in the prescribed Form No. 10CC along with the return of income.

Percentage of deduction:

20% deduction in respect of profits and gains (before deduction allowable under section 80I or section 80J) derived by an assessee from a small-scale industrial undertaking shall be allowed in computing the total income in respect of each of the ten assessment years beginning with the assessment year in which such industrial undertaking begins to manufacture or produce articles.

(x) Deduction in respect of profits and gains from projects outside India:

(Refer Section 80HHB)

Assessment years 1991-92 to 1995-96:

Conditions:

(1) The assessee is either an Indian company or a person who is resident in India;

(2) the assessee is engaged in the execution of a "foreign project" undertaken by him in pursuance of a contract entered into by him (or executing of any work undertaken by him forming part of a foreign project undertaken by other person), with the Government of a foreign State or any statutory or other public authority or agency in a foreign State, or a foreign enterprise.

"Foreign project" means a project for the (i) construction of any building, road, dam, bridge or other structure outside India; or (ii) the assembly or installation of any machinery or plant outside India; or (iii) the execution of such other work as may be prescribed;

(3) the consideration for the execution of such project is payable in convertible foreign exchange⁶;

4. An industrial undertaking shall be deemed to be a small-scale industrial undertaking if the aggregate value of the machinery and plant (other than tools, jigs, dies and moulds) installed, as on the last day of the previous year, for the purposes of the business of the undertaking does not exceed Rs. 35 lakhs.

5. Rural area means any area as defined under Clause (a) of the Explanation to section 80HHA.

6. "Convertible foreign exchange" will also include amounts received in non-convertible rupees from bilateral account countries and receipts in Indian rupees under Government to Government credit. Remittances from Nepal and Bhutan are, however, excluded [Vide Circular No. 575 dt. 31-8-90. 185 ITR (St.) 32].

(4) the assessee maintains separate accounts in respect of the profits and gains derived from the business of the execution of the foreign project. Where the assessee is a person other than an Indian company or a co-operative society, such accounts have been audited by an accountant as defined in the Explanation to section 288(2) and the assessee furnishes along with the return of income, the report of such audit in the prescribed Form No. 10CCA duly signed and verified by such accountant;

(5) the assessee is required to debit to the profit and loss account of the previous year in respect of which the deduction is claimed under section 80HHB and credit to a "Foreign Projects Reserve Account" a sum equal to 50% of the profits and gains from such project or work. The reserve so created is required to be utilised by the assessee during a period of 5 immediately succeeding years for the purposes of his business and not for distribution by way of dividends or profits;

(6) the assessee is required to remit into India in convertible foreign exchange an amount equal to 50% of such profits and gains within a period of six months from the end of the relevant previous year or where the Chief Commissioner or Commissioner is satisfied that the assessee is, for reasons beyond his control, unable to do so within the period of 6 months, then, within such further period as the Chief Commissioner or Commissioner may allow in this behalf; and

(7) the consideration received for the execution of a foreign project shall not qualify for deduction for any assessment year under any other provision of Chapter VIA.

Percentage of deduction:

50% deduction in respect of profits and gains relating to execution of such "foreign project" will be allowed in computing the total income of the assessee.

NOTES: (1) If the amount credited to the "Foreign Projects Reserve Account" or the amount actually remitted into India by the assessee or either of these amounts is less than 50% of such profits and gains, then, deduction will be restricted to the amount so credited to the "Foreign Projects Reserve Account" or the amount actually brought into India, whichever is less.

(2) If at any time, before the expiry of 5 years, the assessee utilises the amount credited to "Foreign Projects Reserve Account" for the purposes of distribution by way of dividends or profits or for any other non-business purpose, then, deduction originally allowed will be deemed to have been wrongly allowed and the assessment of that year will be rectified within a period of four years from the end of the accounting year in which the "Foreign Projects Reserve Account" is utilised for any other non-business purposes [Section 80HHB (4) read with section 154].

(xi) Deduction in respect of export turnover:

(Refer Section 80HHC)

Assessment years 1991-92 to 1995-96:

Conditions:

(1) (a) The assessee is either an Indian company or a person who is resident in India, or

(b) the assessee is a supporting manufacturer⁷ exporting goods or merchandise through Export/Trading House subject to the condition that a certificate in a prescribed Form No. 10CCAB has been issued by Export/Trading House, certifying that in respect of the amount of export turnover specified therein, the deduction u/s. 80HHC is to be allowed to the supporting manufacturer. The certificate received from Export/Trading House is to be furnished along with the return of income by the supporting manufacturer;

(2) the export out of India during the previous year relevant to an assessment year are of any goods or merchandise other than (i) mineral oil; and (ii) minerals and ores [other than processed minerals and ores specified in the Twelfth Schedule].

Notes: (i) Export out of India will not include any transaction by way of sale or otherwise, in a shop, emporium or any other establishment situate in India, not involving clearance at any customs station as defined in the Customs Act, 1962,

(ii) From assessment year 1992-93 and onwards, where the goods or merchandise are transferred by an assessee to an overseas branch, office, warehouse or any other establishment of the assessee and such goods or merchandise are sold from such overseas branch, etc., then, such transfer will be deemed to be export out of India and the value of such goods or merchandise declared in the shipping bill or bill of export will be deemed to be the sale proceeds thereof;

(3) the sale proceeds of goods or merchandise exported out of India are received in, or brought into, India by the assessee (other than the supporting manufacturer) in convertible foreign exchange⁸ within a period of 6 months from the end of the previous year or within such further period as may be extended by the Chief Commissioner or Commissioner.

From assessment year 1992-93 and onwards, sale proceeds will be deemed to have been received in India, where such sale proceeds are credited to a separate account maintained for the purpose by the assessee with any bank outside India with the approval of the Reserve Bank of India; and

(4) "Export turnover" for the purposes of this section means the sale proceeds received in, or brought into, India by the assessee in convertible foreign exchange in accordance with condition 3 above of any goods or merchandise exported out of India, but does not include freight or insurance attributable to the transport of the goods or merchandise beyond the customs station as defined in the Customs Act, 1962.

7. "Supporting manufacturer" means an Indian company or a person who is resident in India, manufacturing (including processing) goods or merchandise, and selling such goods or merchandise to Export/Trading House for the purposes of export.

8. "Convertible foreign exchange" will also include amounts received in non-convertible rupees from bilateral account countries and receipts in Indian rupees under Government to Government credit. Remittances from Nepal and Bhutan are, however, excluded [Vide Circular No. 575 dt. 31-8-90. 185 ITR (St.) 32].

Percentage of deduction:**(i) For assesseees other than supporting manufacturers:**

Deduction equal to 100% of the profits* derived from the export of such goods or merchandisc.

However, if the assessee being a holder of an Export House Certificate or a Trading House Certificate certifies in the prescribed Form No. 10CCAB that in respect of the amount of export turnover specified therein, the deduction is to be allowed to a supporting manufacturer, then the amount of deduction in the case of the assessee shall be reduced by such amount which bears to the:

(a) total profits derived by the assessee from the export of trading goods, the same proportion as the amount of export turnover specified in the said certificate bears to the total export turnover of the assessee in respect of such trading goods [from assessment year 1992-93 and onwards];

(b) total profits of the export business of the assessee, the same proportion as the amount of export turnover specified in the said certificate bears to the total export turnover of the assessee [for assessment year 1991-92].

Assessee will have to furnish report of audit in the prescribed Form No. 10CCAC along with the return of income.

***(A) From assessment year 1992-93 and onwards, the profits derived from the export of goods or merchandise out of India shall be —**

(a) where the exported goods/merchandise are manufactured or processed by the assessee, the profits derived from such export shall be the amount which bears to the profits of the business⁹, the same proportion as the export turnover of such goods bears to the total turnover¹⁰ of the business carried on by the assessee.

(b) where the exported goods are not manufactured or processed by the assessee (i.e. trading goods), the profits derived from such export shall be the export turnover in respect of such trading goods as reduced by the direct costs¹¹ and indirect costs¹² attributable to export of trading goods.

(c) where the exported goods consist of both types of goods referred to in (a) & (b) above, the profits derived from such export shall —

(i) in respect of goods/merchandise manufactured or processed by the assessee, be the amount which bears to the adjusted profits of the business¹³, the same proportion as the adjusted export turnover¹⁴ in respect of such goods bears to the adjusted total turnover¹⁵ of the business carried on by the assessee; and

(ii) in respect of trading goods, be the export turnover in respect of such trading goods as reduced by the direct costs¹¹ and indirect costs¹² attributable to export of such trading goods.

However, the profits computed under (a), (b) and (c) above shall be further increased by the amount which bears to 90% of any sum referred to in clause (iiia) [i.e. profit on sale of import licences other than licence acquired from any other person], clause (iiib) [i.e. cash compensatory support] and clause (iiic) [i.e. duty of customs or excise repaid or repayable as drawback], of section 28, the same proportion as the export turnover bears to the total turnover of the business [Refer example on page 194].

(B) For assessment year 1991-92, profits derived from the export of goods or merchandise out of India shall be the amount which bears to the profits of the business (as computed under the head "Profits and gains of business or profession"), the same proportion as the export turnover bears to the total turnover¹⁰ of the business [i.e., Profits of the business × Export turnover ÷ Total turnover¹⁰].

(ii) For assesseees being supporting manufacturers:

Deduction equal to 100% of the profits[§] derived by the supporting manufacturer from sale of goods or merchandise to the Export/Trading House for the purposes of export and in respect of which a certificate has been issued by the Export/Trading House.

Assessee will have to furnish report of audit in the prescribed Form No. 10CCAC along with the return of income.

§(A) In a case where the business carried on by the supporting manufacturer does not consist exclusively of sale of goods or merchandise to Export/Trading House, the profits derived by a supporting manufacturer from the sale of goods or merchandise to Export/Trading House shall be —

(a) The amount which bears to the profits of the business¹⁶ the same proportion as the turnover in respect of sale to the Export/Trading House bears to the total turnover of the business of the supporting manufacturer [from assessment year 1992-93 and onwards];

(b) The amount which bears to the profits (as computed under the head "Profits and gains of business or profession") the same proportion as the turnover in respect of sale to the Export/Trading House bears to the total turnover of the business of the supporting manufacturer [for assessment year 1991-92].

9. "profits of the business" means the profits of the business as computed under the head "Profits and gains of business or profession" and reduced by—

(1) 90% of any sum referred to in clauses (iiia), (iiib) & (iiic) of section 28 or of receipts by way of brokerage, commission, interest, rent, charges or any other receipt of a similar nature included in such profits; and

(2) the profits of any branch, office, warehouse or any other establishment of the assessee situate outside India.

10. "total turnover" shall not include: (a) freight or insurance attributable to the transport of the goods or merchandise beyond the customs station as defined in the Customs Act, 1962; & (b) cash compensatory support, profit on sale of import entitlement licences and any duty of customs or excise re-paid or re-payable as drawback (these export incentives will, however, be included in the profits of the business).

11. "direct costs" means costs directly attributable to the exported trading goods including the purchase price of such goods.

12. "indirect costs" means costs, not being direct costs, allocated in the ratio of the export turnover of trading goods to the total turnover.

13. "adjusted profits of the business" means the profits of the business as reduced by the profits derived from the business of exported trading goods as computed in (b) above.

14. "adjusted export turnover" means export turnover as reduced by export turnover in respect of trading goods.

15. "adjusted total turnover" means the total turnover of the business as reduced by the export turnover in respect of trading goods.

16. Refer footnote No. 9 above.

(B) In a case where the business carried on by the supporting manufacturer consists exclusively of sale of goods or merchandise to Export/Trading House, the profits derived by a supporting manufacturer from the sale of such goods or merchandise shall be —

(a) From assessment year 1992-93 and onwards, the profits of the business^{16a}.

(b) For assessment year 1991-92, the profits of the business as computed under the head "Profits and gains of business or profession".
For the clarifications issued by the Board in respect of provisions of section 80HHC, refer circulars given in sub-item 'H' of item 'I' on page 311.

EXAMPLE FOR COMPUTATION OF DEDUCTION U/S. 80HHC:

For the financial year ending 31-3-1994 (assessment year 1994-95), Mr. A's only source of income is from the proprietary export business as under:

business as under:

Trading/Manufacturing-cum-Profit & Loss Account					
	Rs.	Rs.		Rs.	Rs.
To,			By,		
Purchase in respect of:			Sales (Export turnover):		
Trading goods (Export) ..	5,00,000		Trading goods (F.O.B. Export)	6,00,000	
Raw materials for manufacturing (Export)	5,00,000	10,00,000	Manufacturing goods (F.O.B. Export)	9,00,000	15,00,000
Direct costs for manufacturing (export) ..		2,00,000			
Gross profit carried over		3,00,000			
Total ..		15,00,000	Total ..		15,00,000
To,			By,		
Indirect costs		2,00,000	Gross profit brought over		3,00,000
Net profit for the year		5,00,000	Receipts for brokerage, commission, interest, rent, etc.		1,00,000
			Profit on sale of import licences (purchased from other persons) ..	1,00,000	
			Profit on sale of import licences (not purchased from any other person) & Duty drawback ..	2,00,000	3,00,000
Total ..		7,00,000	Total ..		7,00,000

(1) Computation of the profits of business under the head "Profits and gains of business or profession":

Net profit for the year as per Profit & Loss Account	Rs.	5,00,000
Add: Disallowables under sections 28 to 44D, say	Rs.	10,00,000
(A)	Rs.	5,10,000

Computation of 'profits of the business' for the purposes of section 80HHC [Vide Explanation (baa) to section 80HHC]:

Profits of the business computed under the head "Profits and gains of business or profession" [Refer (A) above] Rs. 5,10,000

Less: 90% of the following sums [Vide Explanation (baa) (1) to section 80HHC]:

Receipts for brokerage, commission, rent, etc.	Rs.	1,00,000
Profit on sale of import licences (including purchased from other persons) and Duty drawback	Rs.	3,00,000
	Rs.	4,00,000

90% of Rs. 4,00,000	Rs.	3,60,000
(B)	Rs.	1,50,000

(2) Computation of deduction u/s. 80HHC:

(a) In respect of trading goods (exported):

Export turnover (F.O.B.) of trading goods	Rs.	6,00,000
Less: Direct costs (i.e., purchase price of exported trading goods)	Rs.	5,00,000
	Rs.	1,00,000
Less: Indirect costs	Rs.	2,00,000
Indirect costs is to be allocated in the following proportion: Rs. 2,00,000 (indirect costs) × Rs. 6,00,000 (turnover of trading goods exported) ÷ Rs. 15,00,000 (total turnover) = Rs. 80,000	Rs.	80,000
Deduction u/s. 80HHC in respect of trading goods (exported) ..	(C)	Rs. 20,000

(b) In respect of manufactured goods (exported):

(i) Profits of the business [Refer (B) above] Rs. 1,50,000

(ii) Adjusted profits of the business:

Rs. 1,50,000 [Profits of business. Refer (i) above] less Rs. 20,000 [Profits derived from the business of trading goods (exported). Refer (C) above] .. . Rs. 1,30,000

(iii) Adjusted export turnover:

Rs. 15,00,000 (export turnover) less Rs. 6,00,000 (export turnover of trading goods) Rs. 9,00,000

(iv) Adjusted total turnover:

Rs. 15,00,000 (total turnover) less Rs. 6,00,000 (export turnover of trading goods) Rs. 9,00,000

Deduction u/s. 80HHC for export of manufactured goods:

Rs. 1,30,000 [adjusted profits of the business. Refer (ii) above] × Rs. 9,00,000 [adjusted export turnover. Refer (iii) above] ÷ Rs. 9,00,000 [adjusted total turnover. Refer (iv) above] = Rs. 1,30,000

(D) Rs. 1,30,000

(c) Profits computed under (a) & (b) above is to be further increased under the proviso to section 80HHC (3):

90% of the profit on sale of import licenses (other than purchased from any other persons) & Duty drawback in the ratio of export turnover to total turnover i.e., 90% of Rs. 2,00,000 is Rs. 1,80,000.

Rs. 1,80,000 × Rs. 15,00,000 (export turnover) ÷ Rs. 15,00,000 (total turnover) = Rs. 1,80,000

(E) Rs. 1,80,000

(3) Computation of total (taxable) income:

Business income [Refer (A) above] Rs. 5,10,000

Less: Deduction u/s. 80HHC:

In respect of trading goods (exported) [Refer (C) above] Rs. 20,000

In respect of manufactured goods (exported) [Refer (D) above] Rs. 1,30,000

In respect of profit on sale of import licenses & Duty drawback [Refer (E) above] Rs. 1,80,000 Rs. 3,30,000Total (taxable) income Rs. 1,80,000

- Notes: (1) The sale proceeds in respect of export turnover Rs. 15,00,000 has been received in convertible foreign exchange on or before 30-9-1994.
- (2) Export turnover is F.O.B. and does not include freight or insurance attributable to transportation of goods beyond customs station.
- (3) 90% of the profit on sale of import licenses is not to be further increased under the proviso to section 80HHC (3) if the said import licenses are acquired from any other person i.e., not being acquired under the Imports (Control) Order, 1955, made under the Imports and Exports (Control) Act, 1947.

(xii) Deduction in respect of earnings in convertible foreign exchange:

(Refer Section 80HHD)

Assessment years 1991-92 to 1995-96:

Conditions:

- (1) The assessee is either an Indian company or a person who is resident in India;
- (2) the assessee is engaged in the business of:
 - (i) a hotel approved by the prescribed authority¹⁷, or
 - (ii) a tour operator approved by the prescribed authority¹⁷, or
 - (iii) a travel agent or other person (not being an airline or a shipping company) who holds a valid licence granted by the Reserve Bank of India under section 32 of the Foreign Exchange Regulation Act, 1973;
- (3) (a) the receipt in relation to services provided to foreign tourists (other than services by way of sale in any shop owned or managed by the assessee) are received in, or brought into, India by the assessee in convertible foreign exchange within a period of 6 months from the end of the previous year or within such further period as may be extended by the Chief Commissioner or Commissioner.

17. The approval of the prescribed authority (i.e. Director General, in the Directorate General of Tourism, Government of India) given to a hotel/tour operator on or after 30-11-1989 but before 1-10-1991, will be deemed to be operative for assessment years 1989-90, 1990-91 & 1991-92, if the assessee was engaged in the business of such hotel/tour operator during the previous year relevant to any of the said assessment years [Proviso to section 80HHD(1) w.e.f. 1-10-1991].

(b) From assessment year 1992-93 and onwards, any payment received by an assessee engaged in the business of hotel/tour operator/travel agent, in Indian currency obtained by conversion of foreign exchange brought into India through an authorised dealer, from another hotelier (for assessment year 1995-96), a tour operator or a travel agent on behalf of foreign tourists, shall be deemed to have been received by the assessee in convertible foreign exchange if the person making payment furnishes to the assessee a certificate in the prescribed Form No. 10CCAE indicating the amount received in foreign exchange, its conversion into Indian currency and such other particulars as may be prescribed; and

(4) the assessee furnishes report of audit in the prescribed Form No. 10CCAD along with the return of income.

Amount of deduction:

(a) 50% of the profits* (as computed under the head "Profits and gains of business or profession") derived from services provided to foreign tourists, *plus*

(b) so much of the amount out of the remaining profits referred to in (a) as is debited to the profit and loss account of the previous year in respect of which deduction is claimed and credited to a "reserve account" to be utilised for the purposes of business as explained below†.

*The profits derived from services provided to foreign tourists shall be the amount which bears to the profits of the business (as computed under the head "Profits and gains of business or profession") the same proportion as the receipts specified in condition 3 above [in the case of the first recipient of convertible foreign exchange, receipts specified in condition 3(a) as reduced by any payment, referred to in condition 3(b), made by him, from assessment year 1995-96] bear to the total receipts of the business.

†(A) The amount credited to "reserve account" is required to be utilised by the assessee before the expiry of a period of 5 years next following the previous year in which the amount was credited for the purposes of— (a) construction of approved new hotels or expansion of facilities in the existing approved hotels; or (b) purchase of new cars/coaches by approved tour operator or by travel agent; or (c) purchase of sports equipment for mountaineering, trekking, golf, river-rafting and other sports in or on water; or (d) construction of conference or convention centres; or (e) provision of such new facilities, as may be notified, for the growth of Indian tourism.

However, if any of the aforesaid activities results in creation of any asset owned by the assessee outside India, such asset shall be created only after obtaining prior approval of the prescribed authority.

(B) Where any amount credited to the "reserve account" has been utilised for any purpose other than those referred to in (A) above, then the amount so utilised shall be deemed to be the profits in the year of utilisation and shall be charged to tax accordingly. Similarly, where any amount credited to the "reserve account" has not been utilised in the manner specified in (A) above, the amount not so utilised shall be deemed to be the profits in the year immediately following the period of 5 years specified in (A) above and shall be charged to tax accordingly.

(xiii) Deduction in respect of profits from export of computer software, etc.:

(Refer Section 80HHE)

Assessment years 1991-92 to 1995-96:

Conditions:

- (1) The assessee is either an Indian company or a person (other than a company) who is resident of India;
- (2) the assessee is engaged in the business of,—

- (a) export out of India of "computer software" or its transmission from India to a place outside India by any means,
- (b) providing technical services outside India in connection with the development or production of "computer software".

"Computer software" means any computer programme recorded on any disc, tape, perforated media or other information storage device and includes any such programme which is transmitted from India to a place outside India by any means;

(3) the consideration in respect of computer software referred to in condition (2) [above] is received in, or brought into, India by the assessee in convertible foreign exchange within a period of 6 months from the end of the previous year or within such further period as may be extended by the Commissioner. However, the said consideration will be deemed to have been received in India where it is credited to a separate account maintained for the purpose by the assessee with any bank outside India with the approval of the Reserve Bank of India; and

(4) the assessee furnishes a report of audit in the prescribed Form No. 10CCAF along with the return of income.

Amount of deduction:

Deduction at 100% of the profits derived by the assessee from business referred to in condition (2) above. For this purpose, profits derived from the business shall be the amount which bears to the profits of the business¹⁸, the same proportion as the export turnover¹⁹ bears to the total turnover²⁰ of the business carried on by the assessee.

Note: Where a deduction u/s. 80HHE is claimed and allowed in respect of the business referred to in condition (2) [above] for any assessment year, no deduction shall be allowed in relation to such profits under any other provision of this Act for same or any other assessment year.

18. "Profits of the business" means profits of the business as computed under the head "Profits and gains of business or profession" as reduced by—

(a) 90% of any receipts by way of brokerage, commission, interest, rent, charges or any other receipt of a similar nature included in such profits; and

(b) the profits of any branch, office, warehouse or any other establishment of the assessee situate outside India.

19. "export turnover" means the consideration in respect of computer software received in, or brought into, India by the assessee in convertible foreign exchange in accordance with condition (3) above, but does not include freight, telecommunication charges or insurance attributable to the delivery of the computer software outside India or expenses, if any, incurred in foreign exchange in providing the technical services outside India.

20. "total turnover" shall not include —

(a) cash compensatory support, profit on sale of import entitlement licences and any duty of customs or excise repaid or repayable as drawback,

- (b) any freight, telecommunication charges or insurance attributable to the delivery of the computer software outside India, and
- (c) expenses, if any, incurred in foreign exchange in providing the technical services outside India.

(xiv) Deduction in respect of profits and gains from industrial undertakings, etc.:

(Refer Section 80-I)

*With effect from 1st April, 1981:***Conditions:****(i) Industrial undertaking** fulfilling all the following conditions:

- (a) It is not formed by the splitting up, or the reconstruction, of a business already in existence;
- (b) it is not formed by the transfer to a new business of machinery or plant previously used²¹ for any purpose.

However, any machinery or plant which was used outside India by any person other than the assessee shall not be regarded as machinery or plant previously used for any purpose provided—

- (1) such machinery or plant was imported into India from any country outside India,
- (2) no depreciation for any period prior to date of installation by the assessee in respect of the said asset has been allowed to any person under this Act, and

- (3) the said asset was not used in India at any time previous to the date of installation by the assessee;

(c) it manufactures or produces any article or thing other than article or thing specified in the list in the Eleventh Schedule [small-scale industrial undertaking (as defined under section 80HHA refer page 191) can manufacture or produce any article or thing including article or thing specified in the Eleventh Schedule] or operates one or more cold storage plant or plants, in any part of India, and begins to manufacture or produce articles or things or to operate such plant or plants, at any time within the period of ten years next following the 31st day of March, 1981 or such further period as may be notified by the Government with reference to any particular industrial undertaking;

(d) such industrial undertaking employs ten or more workers in a manufacturing process carried on with the aid of power or employs twenty or more workers in a manufacturing process carried on without the aid of power; and

(e) assessee other than companies and co-operative societies are required to furnish report of audit in the prescribed Form No. 10CCB along with the return of income.

(ii) Ship, where all the following conditions are fulfilled:

- (a) It is owned by an Indian company and is wholly used for the purposes of the business carried on by it;
- (b) it was not, previous to the date of its acquisition by the Indian company, owned or used in Indian territorial waters by a person resident in India; and
- (c) it is brought into use by the company at any time within ten years next following the 1st day of April, 1981.

(iii) The business of hotel, where all the following conditions are fulfilled:

- (a) The business of the hotel starts functioning after 31-3-1981 but before 1-4-1991, and is not formed by the splitting up, or the reconstruction, of a business already in existence or by the transfer to a new business of building previously used as a hotel or of any machinery or plant previously used for any purpose; and
- (b) the business of the hotel is owned and carried on by a company registered in India with a paid-up capital of not less than five hundred thousand rupees and is for the time being approved by the Central Government.

(iv) Business of repairs to ocean-going vessels or other powered craft which fulfils all the following conditions:

- (a) the business is not formed by the splitting up, or the reconstruction, of a business already in existence;
- (b) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose;
- (c) it is carried on by an Indian company and the work by way of repairs to ocean-going vessels or other powered craft has been commenced by such company after 31-3-1983 but before 1-4-1988; and
- (d) it is for the time being approved by the Central Government.

Deduction:**(A) WHERE ANY OF THE ACTIVITIES MENTIONED BELOW COMMENCED ON OR BEFORE 31-3-1990:**

Where the gross total income of an assessee includes any profits and gains derived from an industrial undertaking or a ship or the business of a hotel or the business of repairs to ocean-going vessels or other powered craft (as if such industrial undertaking, or ship or the business of the hotel or the business of repairs to ocean-going vessels or other powered craft were the only source of income), there shall be allowed, in computing the total income of the assessee, a deduction from such profits and gains of an amount as stated hereafter.

21. Where the industrial undertaking is formed by transfer to a new business of any machinery or plant or any part thereof previously used for any purpose and the value of such machinery or plant does not exceed 20% of the total value of the machinery or plant used in the business, the tax holiday concession will be available to the industrial undertaking.

Status of the assessee:	Deduction:	Deductions permissible for:
(i) In the case of co-operative society	@ 20%	initial assessment year ²² and each of the nine assessment years immediately succeeding the initial assessment year ²²
(ii) In the case of company carrying on the business of repairs to ocean-going vessels or other powered craft	@ 20%	initial assessment year ²² and each of the four assessment years immediately succeeding the initial assessment year ²²
(iii) In the case of company engaged in activities other than (ii) above	@ 25%	initial assessment year ²² and each of the seven assessment years immediately succeeding the initial assessment year ²²
(iv) In the case of any other assessee	@ 20%	initial assessment year ²² and each of the seven assessment years immediately succeeding the initial assessment year ²²

(B) WHERE ANY OF THE ACTIVITIES MENTIONED BELOW COMMENCE ON OR AFTER 1-4-1990 BUT BEFORE 1-4-1991:

Where the gross total income of an assessee includes any profits and gains derived from —

- (a) an industrial undertaking which begins to manufacture or produce articles or things or to operate its cold storage plant or plants; or
- (b) a ship which is first brought into use; or
- (c) the business of a hotel which starts functioning,

on or after 1-4-1990 but before 1-4-1991,

will be eligible for deduction @ 25% of such profits in cases of assessee other than company; and in cases of company @ 30% thereof.

This deduction will be available for initial assessment year^{22a} and 9 assessment years immediately succeeding the initial assessment year^{22a} to all assessee other than a co-operative society; and to co-operative society for initial assessment year^{22a} and 11 assessment years immediately succeeding the initial assessment year^{22a}.

In computing the profit of the industrial undertaking, past losses and unabsorbed allowances relating to the undertaking shall be deducted and the deduction will be allowed only on the remainder amount, even though the past losses, etc. had already been absorbed by other incomes in the past.

(xv) Deduction in respect of profits and gains from industrial undertakings, etc.:

(Refer Section 80-IA)

With effect from 1st April, 1991:

Conditions:

- (i) **Industrial undertaking** [as defined in the Explanation to section 33B] fulfilling all the following conditions:

- (a) It is not formed by the splitting up, or the reconstruction, of a business already in existence.

However, in respect of an industrial undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B, will qualify for the tax concession under this section;

- (b) it is not formed by the transfer to a new business of machinery or plant previously used²³ for any purpose.

However, any machinery or plant which was used outside India by any person other than the assessee shall not be regarded as machinery or plant previously used for any purpose provided—

- (1) such machinery or plant was imported into India from any country outside India,
- (2) no depreciation for any period prior to date of installation by the assessee in respect of the said asset has been allowed to any person under this Act, and
- (3) the said asset was not used in India at any time previous to the date of installation by the assessee;

(c) it manufactures or produces any article or thing other than article or thing specified in the list in the Eleventh Schedule [small-scale industrial undertaking²⁴ can manufacture or produce any article or thing including article or thing specified in the Eleventh Schedule] or operates one or more cold storage plant or plants, in any part of India, and begins to manufacture or produce articles or things or to operate such plant or plants, at any time during the period beginning on 1-4-1991 and ending on 31-3-1995, or such further period as may be notified by the Government with reference to any particular industrial undertaking.

However, in the case of an industrial undertaking located in an industrially backward State specified in the Eighth Schedule or set up in any part of India for the generation, or generation and distribution, of power, it begins to manufacture or produce any articles or things including articles or things specified in the Eleventh Schedule or to operate its cold storage plant or plants or to generate power at any time during the period beginning on 1-4-1993 and ending on 31-3-1998.

Further, in the case of an industrial undertaking located in industrially backward district notified by the Central Government, it begins to manufacture or produce articles or things other than those specified in the Eleventh Schedule or to operate its cold storage plant or plants at any time during the period beginning on 1-10-1994 and ending on 31-3-1999;

22. "Initial assessment year" means the assessment year relevant to the previous year in which the industrial undertaking begins to manufacture or produce articles or things, or to operate its cold storage plant or plants, or the ship is first brought into use, or the business of the hotel starts functioning, or the company commences work by way of repairs to ocean-going vessels or other powered craft.

22a. Refer footnote No. 22 above.

23. Where the industrial undertaking is formed by transfer to a new business of any machinery or plant or any part thereof previously used for any purpose and the total value of such machinery or plant does not exceed 20% of the total value of the machinery or plant used in the business, the tax holiday concession will be available to the industrial undertaking.

24. For the definition of "Small-scale industrial undertaking" refer section 80-IA(19)(i).

(d) such industrial undertaking employs ten or more workers in a manufacturing process carried on with the aid of power, or employs twenty or more workers in a manufacturing process carried on without the aid of power; and

(e) assessee other than companies and co-operative societies are required to furnish report of audit in the prescribed form No. 10CCB along with the return of income.

(ii) **Ship**, where all the following conditions are fulfilled:

(a) It is owned by an Indian company and is wholly used for the purposes of the business carried on by it;

(b) it was not, previous to the date of its acquisition by the Indian company, owned or used in Indian territorial waters by a person resident in India; and

(c) it is brought into use by the company at any time during the period beginning on 1-4-1991 and ending on 31-3-1995.

(iii) The business of **hotel**, where all the following conditions are fulfilled:

(a) The business of the hotel is owned and carried on by a company registered in India with a paid-up capital of not less than five hundred thousand rupees and is for the time being approved by the prescribed authority;

(b) the business of the hotel is not formed by the splitting up, or the reconstruction, of a business already in existence or by the transfer to a new business of a building previously used as a hotel or of any machinery or plant previously used for any purpose; and

(c) the business of the hotel—

(1) located in a hilly area²⁵ or a rural area²⁵ or a place of pilgrimage²⁵ or such other place as the Central Government may specify, starts functioning at any time during the period beginning on 1-4-1990 and ending on 31-3-1994,

(2) located in any place or in a place other than a place referred to in (1) above, starts functioning at any time during the period beginning on 1-4-1991 and ending on 31-3-1995.

Deduction:

Where the gross total income of an assessee includes any profits and gains derived from any business of an industrial undertaking or a hotel or operation of a ship (as if such business of an industrial undertaking or a hotel or operation of a ship were the only source of income of the assessee), there shall be allowed, in computing the total income of the assessee, a deduction from such profits and gains of an amount as stated hereunder:

In respect of profits & gains derived from business of:

(A) an industrial undertaking located in an industrially backward State specified in the Eighth Schedule or set up in any part of India for the generation, or generation and distribution, of power, and it begins to manufacture or produce any articles or things including articles or things specified in the Eleventh Schedule or to operate its cold storage plant(s) or to generate power on or after 1-4-1993, but before 1-4-1998 or an industrial undertaking located in industrially backward district notified by the Central Government, it begins to manufacture or produce articles or things other than those specified in the Eleventh Schedule or to operate its cold storage plant(s) on or after 1-10-1994 but before 31-3-1999

(B) an industrial undertaking [other than those mentioned in (A) above] carried on by an assessee being:

- | | |
|--|---------|
| (1) a co-operative society | .. .. . |
| (2) a company | .. .. . |
| (3) an assessee other than (1) & (2) above | .. .. . |

(C) an approved hotel located in hilly area, etc.
[referred to in condition (iii)(c)(1)]

(D) an approved hotel located in any place or in a place other than a place referred to in (C) above

(E) operation of a ship

Deduction: Deduction permissible for:

@ 100%	5 assessment years ²⁶
AND	
@ 25%	5 next assessment years ²⁶
	[For a company, rate of deduction is 30% instead of @ 25%. For co-operative society, the deduction permissible is for 7 next assessment years ²⁶ instead of 5 next assessment years ²⁶]

@ 25%	12 assessment years ²⁶
-------	-----------------------------------

@ 30%	10 assessment years ²⁶
-------	-----------------------------------

@ 25%	10 assessment years ²⁶
-------	-----------------------------------

@ 50%	10 assessment years ²⁶
-------	-----------------------------------

@ 30%	10 assessment years ²⁶
-------	-----------------------------------

@ 30%	10 assessment years ²⁶
-------	-----------------------------------

(xvi) Deduction in respect of profits and gains from business of poultry farming:

(Refer Section 80JJ)

Assessment years 1991-92 to 1995-96:

Where the gross total income of an assessee includes any profits and gains derived from business of poultry farming, there shall be allowed, in computing the total income of the assessee, a deduction from such profits and gains of an amount equal to 33 $\frac{1}{3}$ % thereof.

25. For the definition of "hilly area", "rural area" and "place of pilgrimage", refer sub-section (12) of section 80-IA.

26. Including initial assessment year. "Initial assessment year" means the assessment year relevant to the previous year in which the industrial undertaking begins to manufacture or produce articles or things, or to operate its cold storage plant or plants or the ship is first brought into use or the business of the hotel starts functioning.

(xvii) Deductions in respect of interest on certain securities, dividends, etc.:

(Refer Section 80L)

Assessment years 1991-92 to 1995-96:

Conditions:

- (i) The assessee is either an individual or a Hindu undivided family,
(ii) where the income is derived from any investments or deposits specified below held by, or on behalf of a firm, an association of persons or a body of individuals, the deduction under this section will not be allowed in respect of such income in the assessment of a partner of the firm or a member of the association or body.

(iii) income in respect of investments and deposits qualifying for deduction are:

- (a) interest on Government securities, interest on National Savings Certificate IV, V, VI & VII issue (and VIII issue from assessment year 1992-93 and onwards), National Development Bonds & 7-year National Rural Development Bonds,
- (b) Post Office Time Deposit Accounts, the Post Office Recurring Deposit Accounts, and w.e.f. 1-10-92, National Savings Scheme referred to in National Savings Scheme Rules, 1992 [Notification No. 820(E) dt. 21-10-92. 198 ITR (St.) 133],
- (c) dividends from any Indian company[†] or from any co-operative society,
- (d) income in respect of units from the Unit Trust of India[†],
- (e) interest on deposits²⁷ with a banking company, and Co-operative Bank,
- (f) interest on deposits with a co-operative society made by a member of the society,
- (g) interest on deposits with Housing Boards, etc.,
- (h) interest from deposits made under A.E.(C.D.) Act, and C.D.S.(I.T.P.) Act,
- (i) interest on notified debentures of any co-operative society or any institution,
- (j) interest on deposits with approved financial corporation which is engaged in providing long-term finance for industrial development in India,
- (k) interest on deposits with, or dividend received from, a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes and the company is approved by the Central Government u/s. 36(1)(viii)*.
- (l) interest on deposits with Industrial Development Bank of India [Notification No. G.S.R. 86(E) dt. 29-2-1984],
- (m) interest on deposits under National Deposit Scheme[†] [Notification No. G.S.R. 453(E) dt. 15-6-1984],
- (n) interest on notified debentures of any public sector company,
- (o) income in respect of units of a Mutual Fund specified u/s 10(23D)*, and
- (p) interest on deposits under Post Office (Monthly Income Account) Rules, 1987.

Limit of deduction:

<i>Assessment year</i>										<i>Maximum deduction</i>
1991-92 to										
1993-94	..	Under section 80L(1)	..	..	..	..	..	..	..	Rs. 7,000
1994-95 &										
1995-96	..	Under section 80L(1)	..	..	..	..	..	..	..	Rs. 10,000

***Further deduction:**

1991-92 &	..	In respect of: (1) income of units from Unit Trust of India; (2) interest on deposits with								
1992-93		National Deposit Scheme; (3) income of units of a Mutual Fund specified u/s. 10(23D); and								
		(4) interest on deposits with, or dividend received from, a public company formed &								
		registered in India with main object of carrying on business of providing long-term finance								
		for construction or purchase of residential houses in India and the company is approved by								
		the Central Government u/s. 36(1)(viii) [Vide 1st proviso to section 80L (1)]	..							Rs. 3,000

†Additional deduction:

1991-92 &	..	In respect of: (1) interest on deposits with National Deposit Scheme; (2) income of units of								
1992-93		Unit Trust of India [Vide Circular No. 567 dt. 19-7-90. 184 ITR (St.) 164]; and (3)								
		dividends from any Indian company [Vide 2nd proviso to section 80L(1)]	..							Rs. 3,000

Upto assessment year 1992-93, where the limit of Rs. 7,000 is exhausted on account of dividend, interest on Government securities; interest on bank deposits, income in respect of units of Unit Trust of India, interest on deposits under National Deposit Scheme, etc., an assessee is entitled to an additional deduction as explained in the examples given on page 169 of I.T.R.R. 1992-93 (54th Year of Publication).

EXAMPLES

Nature of income	Amount Rs.	Deduction under section	Assessment Years	
			1993-94 Rs.	1994-95 & 1995-96 Rs.
(1) Dividend income	4,000	80L(1)(iv)	4,000	4,000
Interest on bank deposits	5,000	80L(1)(vi)	3,000	5,000
Income from units	4,000	80L(1)(v)	Nil	1,000
Aggregate amount	13,000	Deductions from gross total income	7,000	10,000
(2) Dividend income	6,000	80L(1)(iv)	6,000	6,000
Income from units	3,000	80L(1)(v)	1,000	3,000
Interest on bank deposits	7,000	80L(1)(vi)	Nil	1,000
Aggregate amount	16,000	Deductions from gross total income	7,000	10,000
(3) Dividend income	2,000	80L(1)(iv)	2,000	2,000
Income from units	4,000	80L(1)(v)	4,000	4,000
Accrued interest on NSC VIII Issue	10,000	80L(1)(ia)	1,000	4,000
Aggregate amount	16,000	Deductions from gross total income	7,000	10,000
(4) Dividend income	1,000	80L(1)(iv)	1,000	1,000
Interest on Govt. securities	2,000	80L(1)(i)	2,000	2,000
Income from units	3,000	80L(1)(v)	3,000	3,000
Aggregate amount	6,000	Deductions from gross total income	6,000	6,000

NOTE: The Central Board of Direct Taxes have clarified that "the inter-se priority for adjustment to claim deduction under sub-section (1) and the provisos thereto will be at the option of the assessee" [Vide Para 29.8 of Circular No. 528, dated 16th December, 1988—176 ITR (St.) 183] (upto assessment year 1992-93).

(xviii) Deduction in respect of certain inter-corporate dividends:

(Refer Section 80M)

Assessment years 1991-92 to 1995-96:

Conditions:

- The assessee is a domestic company, and
- the dividend is from a domestic company.

Percentage of deduction:

Dividend from another domestic company —

- in the case of a scheduled bank or a public financial institution or a State financial corporation or a State industrial investment corporation or a company registered u/s. 25 of the Companies Act, 1956 60% of such income²⁸
- in the case of any other domestic company:
so much of the amount of dividend income²⁹ [including any income by way of dividend from units of Unit Trust of India³⁰] as does not exceed the amount of dividend distributed by recipient domestic company on or before the due date for filing return of income, will be deductible. Accordingly, where dividend distributed is equal to or more than dividend income received, the entire amount of dividend income will be deductible. Similarly, if no dividend is distributed, the entire amount of dividend income²⁸ received will be taxable without any deduction.

28. The deduction is allowable with reference to the net dividend income and not with reference to gross amount of dividend. For further details, refer page 186.

29. From assessment year 1994-95 and onwards, in the case of any other domestic company, deduction available for dividend from units of Unit Trust of India will be as under:

- for assessment year 1994-95 .. 4/5th (80%) of dividend from UTI eligible for deduction,
- for assessment year 1995-96 .. 2/5th (40%) of dividend from UTI eligible for deduction, &
- from assessment year 1996-97 onwards .. No deduction of dividend from UTI.

**I - T
DEDUCTIONS
A.Y. 1991-92 to 1995-96**

(xix) Deduction in respect of royalties, etc., received from certain foreign enterprises:
(Refer Section 80-O)

Assessment years 1991-92 to 1995-96:

Conditions:

- (i) The assessee is an Indian company. From assessment year 1992-93 and onwards, the assessee is either an Indian company or a person (other than a company) who is resident in India;
- (ii) the income received by way of royalty, commission, fees, etc. is from a foreign enterprise including Government of a foreign State in consideration for the use outside India of any patent, invention, model, design, secret formula or process made available or provided to such Government or enterprise, or in consideration of technical services (or from assessment year 1992-93, professional services) rendered outside India³⁰ to such Government or enterprise;
- (iii) income by way of royalty, commission, fees, etc. is received in convertible foreign exchange³¹ in India or brought into India by the assessee or on his behalf in accordance with any law for the time being in force for regulating payments and dealings in foreign exchange.

However, income referred to above should be received in India within a period of six months from the end of the relevant previous year or within such extended period as may be allowed by the Chief Commissioner or Commissioner; and

- (iv) application for the approval of agreement in the prescribed Form No. 10F is to be made to the Chief Commissioner or the Director General. However, w.e.f. 1-4-1992, such an agreement is not required to be so approved.

Percentage of deduction:

Royalty, fees, etc. included in the gross total income 50% of such royalty, fees, etc.

(xx) Deduction in respect of income of co-operative societies:

(Refer Section 80P)

(Refer page 221 for exemptions and example)

(xxi) Deduction in respect of profits and gains from the business of publication of books:

(Refer Section 80Q)

Assessment years 1992-93 to 1996-97:

Conditions:

- (i) Profits and gains is attributable to the business carried on in India of printing and publication of books or publication of books.
- (ii) "Books" shall not include newspapers, journals, magazines, diaries, brochures, tracts, pamphlets and other publication of a similar nature.
- (iii) The deduction allowable under this section will be on the profits and gains as reduced by deductions, if any, allowable under sections 80HH, 80HHA, 80HHC, 80-I, 80-IA, 80J or 80P.
- (iv) Simply printing of books will not entitle the assessee to claim deduction under this section.

Percentage of deduction:

Profits and gains from the business of printing and publication of books or publication of books included in the gross total income 20% of such income.

(xxii) Deduction in respect of professional income of authors of text books in Indian languages:

(Refer Section 80QQA)

Assessment years 1992-93 to 1996-97:

Conditions:

1. The assessee is an individual who is resident in India;
2. such assessee is an author or a joint author;
3. the income is derived by such assessee in the exercise of his profession on account of any lump sum³² consideration for the assignment or grant of any of his interests in the copyright of any book, or of royalties or copyright fees in respect of such books;
4. the book is either in the nature of a dictionary, thesaurus or encyclopaedia or is the one that has been prescribed or recommended as a text book, or included in the curriculum, by any University, for a degree or post-graduate course of that University;
5. the book is written in any language specified in the Eighth Schedule to the Constitution³³ or any other language as the Central Government may specify.

Percentage of deduction:

Royalties or copyright fees included in the gross total income 25% of such income.

30. Services rendered outside India will include services rendered from India but will not include services rendered in India.

31. "Convertible foreign exchange" will also include amounts received in non-convertible rupees from bilateral account countries and receipts in Indian rupees under Government to Government credit. Remittances from Nepal and Bhutan are, however, excluded [Vide Circular No. 575 dt. 31-8-90. 185 ITR (St.) 32].

32. For the purposes of this section, "Lump sum" in regard to royalties or copyright fees, includes an advance payment on account of such royalties or copyright fees which is not returnable.

33. Languages specified in the Eighth Schedule to the Constitution: (1) Assamese; (2) Bengali; (3) Gujarati; (4) Hindi; (5) Kannada; (6) Kashmiri; (7) Malayalam; (8) Marathi; (9) Oriya; (10) Punjabi; (11) Sanskrit; (12) Sindhi; (13) Tamil; (14) Telugu; (15) Urdu.

**(xxiii) Deduction in respect of remuneration from foreign sources
in the case of professors, teachers, etc.:**

(Refer Section 80R)

*Assessment years 1991-92 to 1995-96:***Conditions:**

- (i) The assessee is an individual who is a citizen of India;
- (ii) the remuneration received is from any University or educational institution established outside India or any other association or body established outside India, and
- (iii) the assessee is a professor, teacher or research worker.

Percentage of deduction:

@ 50% of remuneration received and included in the gross total income,

OR

@ 75% of such remuneration as is brought into India by, or on behalf of, the assessee in accordance with the Foreign Exchange Regulation Act, 1973, and any rules made thereunder,

whichever is higher.

(xxiv) Deduction in respect of professional income from foreign sources:

(Refer Section 80RR)

*Assessment years 1991-92 to 1995-96:***Conditions:**

- (i) The assessee is an individual who is resident in India;
- (ii) he is either an author, playwright^{33a}, artist^{33a} (includes photographers and T.V. Cameramen), musician, actor or sportsman;
- (iii) the income derived by him is in the exercise of his profession as stated in (ii); and
- (iv) the income is received either from the Government of a foreign State or any person not resident in India.

Percentage of deduction:

@ 50% of professional income mentioned in (iii) above and included in the gross total income,

OR

@ 75% of such professional income as is brought into India by, or on behalf of, the assessee in accordance with the Foreign Exchange Regulation Act, 1973, and any rules made thereunder,
whichever is higher.

(xxv) Deduction in respect of remuneration from foreign employers:

(Refer Section 80RRA)

*Assessment years 1991-92 to 1995-96:***Conditions:**

- (i) The assessee is an individual who is a citizen of India;
- (ii) the remuneration is received in foreign currency either from a foreign employer or an Indian concern for services to be rendered outside India; and
- (iii) in the case of an individual:
 - (a) who is or was, immediately before undertaking such service, in the employment of the Central or any State Government, if such service is sponsored by the Central Government;
 - (b) who is a technician [as defined in the Explanation to section 80 RRA] and the terms and conditions of his service outside India are approved by the Central Government or the prescribed authority.

Percentage of deduction:

@ 50% of remuneration received and included in the gross total income,

OR

@ 75% of such remuneration as is brought into India by, or on behalf of, the assessee in accordance with the Foreign Exchange Regulation Act, 1973, and any rules made thereunder,
whichever is higher.

33a. The Board has clarified that, 'script writer can be regarded as "playwright" and similarly "director" can be treated as an "artist" for the purposes of section 80RR. However, a producer would not be entitled to deduction u/s. 80RR, because he does not fall under any of the categories mentioned in the said section' [Vide Circular No. 675, dt. 3-1-1994. 205 ITR (St.) 329].

III. OTHER DEDUCTIONS:

(xxvi) Deduction in the case of—

- (a) totally blind or physically handicapped persons [in relation to assessment year 1991-92],
(b) permanent physical disability (including blindness) [in relation to assessment year 1992-93 and onwards];
(Refer Section 80U)

Assessment years 1991-92 to 1995-96:

Conditions:

- (i) The individual is resident in India,
(ii) (a) (1) he is totally blind, (2) from assessment year 1992-93, he is totally or partially blind, or
(b) he is subject to or suffers from a permanent physical disability specified in rules³⁴ framed by the Board, or
(c) he is subject to mental retardation to the extent specified in the rules³⁴ framed by the Board,
(iii) he produces a certificate before the Assessing Officer in respect of the first assessment year for which deduction is claimed:

(A) assessment year 1991-92:

- (1) in the case referred to in (ii)(a)(1), as to his total blindness from a registered medical practitioner being an oculist,
(2) in the case referred to in (ii)(b), as to the permanent physical disability from a registered medical practitioner, and
(3) in the case referred to in (ii)(c), as to the mental retardation from a psychiatrist working in a Government hospital,

(B) from assessment year 1992-93 and onwards:

- (1) in the case referred to in (ii)(a)(2), as to his blindness from an oculist³⁵,
(2) in the case referred to in (ii)(b), as to his permanent physical disability from a physician³⁵/a surgeon³⁵,
(3) in the case referred to in (ii)(c), as to his mental retardation from a psychiatrist³⁵.

Amount of deduction:

Assessment year 1991-92	..	Rs. 15,000 in computing the total income of such individual.
Assessment years 1992-93 to 1995-96	..	Rs. 20,000 in computing the total income of such individual.

(xxvii) Deduction from gross total income of the parent in certain cases:

(Refer Section 80V)

Assessment year 1994-95:

Conditions:

- (i) The assessee is an individual and a parent with a minor child whose income is to be included in the total income of such parent u/s. 64(1A); and
(ii) such minor child is suffering from any disability of the nature specified in section 80U [refer item (xxvi) above].

Amount of deduction:

Assessment year 1994-95 .. Rs. 20,000 or the amount of income included u/s. 64(1A), whichever is less.

Notes: (1) This deduction will be allowed from the total income of the said parent. All the conditions specified in section 80U will be applicable, since the total income of the minor child has to be notionally computed separately to arrive at the admissible deduction.

(2) In view of amendment of section 64(1A), w.e.f. 1-4-1995 (assessment year 1995-96), income accruing or arising to such child is not to be included in the income of the parent. Consequently, section 80V is omitted with effect from the said assessment year.

34. The text of the substituted Rule 11D is as under:

(i) permanent physical disability shall be regarded as a permanent physical disability if it falls in any one of the categories specified below, namely [applicable from assessment year 1990-91 & onwards]:—

- (a) permanent physical disability of more than 50 per cent. in one limb; or
(b) permanent physical disability of more than 60 per cent. in two or more limbs; or
(c) permanent deafness with hearing impairment of 71 decibels and above; or
(d) permanent and total loss of voice;

(ii) mental retardation shall be regarded as a mental retardation if intelligence quotient is less than 50 on a test with a mean of 100 and a standard deviation of 15 such as the Wechsle scale [applicable from assessment year 1990-91 & onwards]. For gist of Circular No. 653, refer sub-item 'P' of item 'I' on page 312.

(iii) blindness shall be regarded as a permanent physical disability, if it is incurable and falls in any one of the categories specified below, namely [applicable from assessment year 1992-93 & onwards]:—

All with corrections

Better eye	Worse eye
(a) 6/60-4/60 or Field of vision 110-20	3/60 to Nil
(b) 3/60 to 1/60 or Field of vision 100	F.C. at 1 foot to Nil
(c) F.C. at 1 foot to Nil or Field of vision 100	F.C. at 1 foot to Nil or Field of vision 100
(d) Total absence of sight	total absence of sight.

35. The required certificate should be from an oculist or a physician or a surgeon or a psychiatrist, as the case may be, working in a Government hospital [as defined in the Explanation to section 80DD (refer page 188)]. However, this requirement will not apply in the case of an individual who has already obtained and furnished a certificate before the Assessing Officer in relation to assessment year 1991-92 and earlier years.

YOUR RIGHT TO CLAIM REBATE OF (DEDUCTION FROM) INCOME-TAX:**CHAPTER VIII-A****Assessment years 1991-92 to 1995-96:**

Upto assessment year 1990-91, taxable income was to be arrived at after the deductions permissible under Chapter VIA, that is sections 80C to 80U, from the gross total income. The tax payable on the taxable income was to be arrived at with reference to Paragraph A of Part I of the First Schedule to the Finance Act of the relevant asst. year.

However, from assessment year 1991-92 and onwards, deduction under sections 80C & 80CC are not available. Instead, a rebate of (deduction from) income-tax is to be allowed under sections 88, 88A and 88B of Chapter VIII-A. The manner and method of claiming rebate of (deduction from) income-tax is as under:

1. Compute your gross total income [as reduced by long-term capital gains from assessment year 1993-94 and onwards].
2. From the gross total income as computed in (1) above, claim the deductions allowable under Chapter VIA to determine the total (taxable) income.
3. Compute income-tax (and not surcharge) on the total income as determined in (2) above.
4. Determine the aggregate amount of specified savings¹ made by you under section 88. The amount paid or deposited in the specified savings should have been made by you in the previous year out of your income chargeable to tax.
5. Rebate of (deduction from) income-tax u/s. 88(1) is to be calculated:

(A) FROM ASSESSMENT YEAR 1993-94 AND ONWARDS:

(a) @ 25% of the aggregate amount of specified savings¹ [Refer 4] subject to a **maximum of Rs. 17,500** by an individual whose income, derived from the exercise of his profession as an author, playwright, artist, musician, actor or sportsman (including an athlete), is 25% or more of his total income. The maximum amount of specified savings¹ can be Rs. 70,000 [Proviso to section 88(1) & section 88(6)(i)].

If, such professional income is less than 25% of his total income, the rate of rebate will be at 20% of the aggregate amount of specified savings¹ subject to a maximum of Rs. 12,000 as in the case of other assesseees. The maximum amount of specified savings can be Rs. 60,000 [Section 88(1) & 88(6)(ii)],

(b) @ 20% of the aggregate amount of specified savings¹ [refer 4] subject to a **maximum of Rs. 12,000** by assesseees other than those referred to in (a) above. The maximum amount of specified savings¹ can be Rs. 60,000 [Sections 88(1) & 88(6)(ii)].

(B) FOR ASSESSMENT YEARS 1991-92 & 1992-93:

(i) @ 20% of the aggregate amount of specified savings¹ [refer 4] subject to a **maximum of Rs. 14,000** by an individual being an author, playwright, artist, musician, actor or sportsman (including an athlete). The maximum amount of specified savings¹ can be Rs. 70,000 [Section 88(1) & 88(6)(i)],

(ii) @ 20% of the aggregate amount of specified savings¹ [refer 4] subject to a **maximum of Rs. 10,000** by assesseees other than those referred to in (i) above. The maximum amount of specified savings¹ can be Rs. 50,000 [Section 88(1) & 88(6)(ii)].

6. Determine the cost of specified shares, units of Mutual Fund/U.T.I.², referred to in sec. 88A. Shares/Units should have been acquired by you, in the previous year, out of your income chargeable to tax. Where the aggregate cost of such shares or units exceeds Rs. 25,000, the deduction @ 20% u/s. 88A(1) will be allowed only with reference to such of those shares or units, as are specified by you, the aggregate cost whereof does not exceed Rs. 25,000 [Sec. 88A(2)]. Calculate 20% of the cost of such shares or units as does not exceed Rs. 25,000 [Sec. 88A(1)].

7. In the case of a resident individual, who has attained age of 65 years at any time during the previous year and who has—

(a) gross total income not exceeding **Rs. 75,000**, is entitled to an additional rebate of 20% of the tax payable by him, in relation to assessment year 1994-95,

(b) gross total income not exceeding **Rs. 1,00,000**, is entitled to an additional rebate of 40% of the tax payable by him, in relation to assessment year 1995-96,

(c) gross total income not exceeding **Rs. 50,000**, is entitled to an additional rebate of 10% of the tax payable by him, in relation to assessment year 1993-94.

'Gross total income' means total income determined under the Act, before making any deduction under Chapter VIA. The rebate u/s. 88B is to be allowed before allowing the tax rebate u/s. 88 [Section 88B]. For example, refer page 209.

8. From the amount of income-tax as computed in (3) above, deduct the aggregate amount of rebates arrived at in (5) and/or (6) and/or (7) above. It may be noted that the aggregate amount of rebates arrived at in (5) and/or (6) and/or (7) above shall not, in any case, exceed the amount of income-tax computed in (3) above [Section 87(2)].

1. For specified Savings under section 88, refer page 208.

2. For specified shares [i.e. offer for subscription to such shares is made by the company before 1-4-1991], units of Mutual Fund & units of Unit Trust of India [i.e. subscription under such units closes on or before 30-9-1990] under section 88A, refer page 193 of I.T.R.R. 1993-94 (55th Year of Publication).

9. Where the total (taxable) income exceeds Rs. 1,00,000 for assessment years 1993-94 & 1994-95 [Rs. 75,000 for assessment years 1991-92 & 1992-93], the reduced amount of income-tax arrived at in (8) above, is to be increased by a surcharge of 12% on such reduced amount of income-tax.

10. The resultant figure as arrived at in (8) or (9), as the case may be, is the tax payable by you on your total (taxable) income.

EXAMPLES:

(1) Gross total income ³ of Mr. A, inclusive of dividend income Rs. 11,000 for assessment year 1994-95 is, say		Rs. 63,000 (1)
Less: Deductions under Chapter VI A:		
(1) Mediclaim insurance premia paid Rs. 7,000.		
Maximum deduction u/s. 80D restricted to	Rs. 6,000	
(2) Dividend income Rs. 11,000.		
Maximum deduction u/s. 80L (1) restricted to	Rs. 10,000	Rs. 16,000 (2)
Total (taxable) income		Rs. 47,000 (2)
Income-tax on Rs. 47,000 total (taxable) income (Refer page 211)		Rs. 3,400 (3)
Less: Deduction from income-tax u/s. 88:		
Aggregate amount of specified savings u/s. 88(2)*	Rs. 10,000 (4)	
Deduction @ 20% of Rs. 10,000 u/s. 88(1)	Rs. 2,000 [(5)(A)(b)]	Rs. 2,000 (8)
I.T. payable on Rs. 47,000 total (taxable) income after availing deduction from income-tax u/s. 88		Rs. 1,400 (10)
(2) Gross total income ³ of Mr. A for assessment year 1994-95 is, say		Rs. 85,000 (1)
Less: Deductions under Chapter VI A:		
Deductions under sections 80D (Rs. 5,000) & 80U (Rs. 20,000)		Rs. 25,000 (2)
Total (taxable) income		Rs. 60,000 (2)
Income-tax on Rs. 60,000 total (taxable) income (Refer page 212)		Rs. 7,000 (3)
Less: Deduction from income-tax u/s. 88:		
Aggregate amount of specified savings u/s. 88(2)*	Rs. 40,000 (4)	
Deduction @ 20% of Rs. 40,000 u/s. 88(1)	Rs. 8,000 [(5)(A)(b)]	
Amount of deduction u/s. 88 restricted u/s. 87(2) to Rs. 7,000 being the amount of income-tax chargeable on Rs. 60,000 total (taxable) income		Rs. 7,000 (8)
Income-tax payable on Rs. 60,000 total (taxable) income after availing deduction from income-tax u/s. 88 read with section 87(2)		Rs. Nil (10)
(3) Gross total income ³ of Mr. A for assessment year 1994-95 is, say		Rs. 1,35,000 (1)
Less: Deductions under Chapter VIA: Deductions under sections 80D to 80U are, say		Rs. 30,000 (2)
Total (taxable) income		Rs. 1,05,000 (2)
Income-tax (and not surcharge) on Rs. 1,05,000 total (taxable) income (Refer page 214)		Rs. 21,000 (3)
Less: Deduction from income-tax u/s. 88:		
Aggregate amount of specified savings u/s. 88(2)*	Rs. 80,000 (4)	
Deduction @ 20% of Rs. 80,000 u/s. 88(1)	Rs. 16,000 [(5)(A)(b)]	
Maximum amount of deduction restricted u/s. 88(6)(ii) to	Rs. 12,000 [(5)(A)(b)]	Rs. 12,000 (5)
Income-tax chargeable on Rs. 1,05,000 total (taxable) income		Rs. 9,000 (8)
Add: Surcharge @ 12% on Rs. 9,000 income-tax [as the total (taxable) income exceeds Rs. 1,00,000]		Rs. 1,080 (9)
Tax payable on Rs. 1,05,000 total (taxable) income after availing deduction from income-tax u/s. 88		Rs. 10,080 (10)

Note: If Mr. A, is an author, playwright, artist, musician, actor or sportsman (including an athlete), then, deduction under section 88(1) read with section 88(6)(i) would have been:

(a) for assessment years 1991-92 & 1992-93, Rs. 14,000 & not Rs. 10,000, and

(b) from assessment years 1993-94 & onwards, Rs. 17,500 & not Rs. 12,000 [for details, refer (5)(A)(a) on page 205].

3. As reduced by long-term capital gains.

4. For specified Savings under section 88, refer page 208.

TABLE A

(1) FOR NSC VI ISSUE PURCHASED ON OR BEFORE 31-3-1987
[Rule 19 (1) of the National Savings Certificates (VI Issue) Rules, 1981]
(2) FOR NSC VIII ISSUE PURCHASED ON OR AFTER 1-4-1989
[Rule 15 of the National Savings Certificates (VIII Issue) Rules, 1989]

The year for which interest accrues	Amount of interest accruing on certificates of denomination								
	Rs. 10 Rs. P.	Rs. 100 Rs. P.	Rs. 1,000 Rs.	Rs. 5,000 Rs.	Rs. 6,000 Rs.	Rs. 10,000 Rs.	Rs. 12,000 Rs.	Rs. 20,000 Rs.	Rs. 40,000 Rs.
1st completed year	1.24	12.40	124	620	744	1,240	1,488	2,480	4,960
2nd completed year	1.39	13.90	139	695	834	1,390	1,668	2,780	5,560
3rd completed year	1.56	15.60	156	780	936	1,560	1,872	3,120	6,240
4th completed year	1.75	17.50	175	875	1,050	1,750	2,100	3,500	7,000
5th completed year	1.97	19.70	197	985	1,182	1,970	2,364	3,940	7,880
6th completed year	2.24	22.40	224	1,120	1,344	2,240	2,688	4,480	8,960
Total	10.15	101.50	1,015	5,075	6,090	10,150	12,180	20,300	40,600

TABLE B

FOR NSC VI ISSUE PURCHASED ON OR AFTER 1-4-1987 BUT BEFORE 1-4-1989
[Rule 19(2) of the National Savings Certificates (VI Issue) Rules, 1981]

The year for which interest accrues	Amount of interest accruing on certificates of denomination								
	Rs. 50 Rs. P.	Rs. 100 Rs. P.	Rs. 1,000 Rs.	Rs. 5,000 Rs.	Rs. 6,000 Rs.	Rs. 10,000 Rs.	Rs. 12,000 Rs.	Rs. 20,000 Rs.	Rs. 40,000 Rs.
1st completed year	5.65	11.30	113	565	678	1,130	1,356	2,260	4,520
2nd completed year	6.30	12.60	126	630	756	1,260	1,512	2,520	5,040
3rd completed year	7.00	14.00	140	700	840	1,400	1,680	2,800	5,600
4th completed year	7.80	15.60	156	780	936	1,560	1,872	3,120	6,240
5th completed year	8.65	17.30	173	865	1,038	1,730	2,076	3,460	6,920
6th completed year	9.65	19.30	193	965	1,158	1,930	2,316	3,860	7,720
Total	45.05	90.10	901	4,505	5,406	9,010	10,812	18,020	36,040

ILLUSTRATION SHOWING HOW TO CLAIM FURTHER REBATE OF (DEDUCTION FROM) INCOME-TAX
IN RESPECT OF ACCRUED INTEREST ON INVESTMENTS MADE IN NSC VI/VIII ISSUES IN THE PRECEDING YEARS:

AMOUNT INVESTED/DEPOSITED IN SPECIFIED SAVINGS U/S. 88 (2) ELIGIBLE FOR
REBATE OF (DEDUCTION FROM) INCOME-TAX U/S. 88(1):

Assessment Year	Life insurance premium paid	Contribution to P.P.F./P.F.	Investment in NSC VIII Issue	Accrued interest on NSC VI/VIII Issue	Aggregate specified savings [Total of Col. (2) to (5)]	Rebate of (deduction from) income-tax @ 20% of Col. (6)
1	2	3	4	5	6	7
1993-94 ..	Rs. 5,456	Rs. 10,000	Rs. 10,000	Rs. 6,544*	Rs. 32,000	Rs. 6,400
1994-95 ..	Rs. 10,604	Rs. 20,000	Rs. 10,000	Rs. 7,396*	Rs. 48,000	Rs. 9,600
1995-96 ..	Rs. 12,396	Rs. 25,000	Rs. NIL	Rs. 7,604*	Rs. 45,000	Rs. 9,000

*Accrued interest in respect of investment made in NSC VI/VIII Issue in preceding years is as under:

Invested in NSC VI/VIII Issue on	Amount invested	Accrued interest	Refer Table	Assessment year:		
				1993-94	1994-95	1995-96
30-3-1988(VI) ..	Rs. 6,000	5th/6th Comp. year	B (above)	Rs. 1,038	**	NIL
30-1-1989(VI) ..	Rs. 10,000	4th/5th/6th Comp. year	B (above)	Rs. 1,560	Rs. 1,730	**
28-2-1990(VIII) ..	Rs. 12,000	3rd/4th/5th Comp. year	A (above)	Rs. 1,872	Rs. 2,100	Rs. 2,364
20-1-1991(VIII) ..	Rs. 6,000	2nd/3rd/4th Comp. year	A (above)	Rs. 834	Rs. 936	Rs. 1,050
20-3-1992(VIII) ..	Rs. 10,000	1st/2nd/3rd Comp. year	A (above)	Rs. 1,240	Rs. 1,390	Rs. 1,560
20-3-1993(VIII) ..	Rs. 10,000	—/1st/2nd Comp. year	A (above)	—	Rs. 1,240	Rs. 1,390
20-3-1994(VIII) ..	Rs. 10,000	—/—/1st Comp. year	A (above)	—	—	Rs. 1,240
Aggregate accrued interest in respect of NSC VI/VIII Issue ..	..	..	..	Rs. 6,544	Rs. 7,396	Rs. 7,604

**Interest on NSC VI Issue for 6th completed year Rs. 1,158 [for assessment year 1994-95/Rs. 1,930 [for assessment year 1995-96] (Refer table B above) does not qualify for rebate of (deduction from) income-tax, as it is not deemed to have been re-invested on behalf of the holder [Vide Rule 19 of NSC VI Issue Rules, 1981].

Specified savings qualifying for deduction under section 88:

Under section 88(2), the following sums paid or deposited in the previous year by the assessee [i.e. individual and Hindu undivided family] out of his income chargeable to tax qualifies for deduction @ 20%⁵ u/s. 88(1):

1. Life insurance premia paid—
 - (a) by an individual, on his/her life or on life of his/her spouse or, on life of any child [including a married daughter. Vide Circular No. 574, dt. 22-8-90. 185 ITR (St.) 31] of such individual; and
 - (b) by a Hindu undivided family, on life of any member of the family.

Note: Premia paid in excess of 10% of the capital sum assured do not qualify for deduction.
2. Payment made, by any person mentioned below, under contract of deferred annuity [other than annuity plan: (a) upto asst. year 1992-93, referred to in section 80CCA(1)(ii) i.e. 'Jeevan Dhara' & 'Jeevan Akshay' & (b) from asst. year 1993-94 and onwards, referred to in item (14) hereafter], if the contract does not contain a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of annuity—

by an individual, on his/her life or on life of his/her spouse or life of any child [including adult children and a married daughter. Vide Circular No. 574, dt. 22-8-90. 185 ITR (St.) 31] of such individual.
3. Contribution made by an employee to a recognised provident fund.
4. Contribution made by an individual to any provident fund to which the Provident Funds Act, 1925 applies.
5. Contribution by an employee to an approved superannuation fund.
6. Contribution to Public Provident Fund Scheme, 1968 in an account standing in the name of—
 - (a) in the case of an individual, the individual, the wife or husband and any child of such individual. Contribution by an individual in an account standing in the name of spouse (i.e. husband/wife) is eligible for rebate of (deduction from) income-tax; and
 - (b) in the case of a Hindu undivided family, any member thereof.
7. Deposits in 10 year or 15 year account under the Post Office Savings Bank (C.T.D.) Rules, 1959, where such sums are deposited in an account standing in the name of—
 - (a) in the case of an individual, such individual or a minor of whom he is the guardian; and
 - (b) in the case of a Hindu undivided family, any member of the family.
8. Subscription to 6-year National Savings Certificates VIth, VIIth & VIIIth Issue. Accrued interest in respect of NSCs VIth & VIIIth issue also eligible for deduction u/s. 88(1) [vide para 6(vi)(b) of Circular No. 654, dt. 22-7-93. 203 ITR (St.) 9] [Tables for accrued interest are given on page 207].
9. Contribution made, in the name of any person mentioned below, for participation in the Unit-linked Insurance Plan, 1971 of the Unit Trust of India—
 - (a) in the case of an individual, the individual, the wife or husband and any child of such individual; and
 - (b) in the case of a Hindu undivided family, any member thereof.
10. Contribution made, in the name of any person mentioned below, for participation in the unit-linked insurance plan of the L.I.C. Mutual Fund notified u/s. 10(23D) [i.e. Dhanraksha, 1989 plan of the L.I.C. Mutual Fund. Notification No. 56(E) dt. 31-1-91. 187 ITR (St.) 151]:
 - (a) in the case of an individual, the individual, the wife or husband and any child of such individual; and
 - (b) in the case of a Hindu undivided family, any member thereof.
11. Subscription to notified deposit scheme of the National Housing Bank [i.e. Home Loan Account Scheme], or from assessment year 1993-94, as a contribution to notified pension fund set up by the National Housing Bank.
12. From assessment year 1992-93 and onwards, subscription to notified deposit scheme, interest on which is not eligible for deduction u/s. 80L, of:
 - (i) a public sector company which is engaged in providing long-term finance for construction/purchase of residential houses in India, or
 - (ii) any authority constituted in India for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both.
13. From assessment year 1993-94 and onwards, contribution to notified pension fund set up by Mutual Funds approved u/s. 10(23D). From assessment year 1995-96 and onwards, contribution to notified pension fund set up by the Unit Trust of India.
14. From assessment year 1993-94 and onwards, subscriptions to the schemes:
 - (a) National Savings Scheme referred to in National Savings Scheme Rules, 1992 [Notification No. 819(E), dt. 21-10-92. 198 ITR (St.) 133] & deferred annuity plan of L.I.C. i.e. 'Jeevan Dhara' & 'Jeevan Akshay' Plans [Notification No. 801(E) dt. 7-10-92. 198 ITR (St.) 129], &
 - (b) Covered u/s. 80CCB, viz. notified Equity Linked Savings Schemes, not exceeding Rs. 10,000.

5. Rebate is 25% in relation to assessment year 1993-94 and onwards in the case of an individual being an author, playwright, etc. For further details, refer item (5)(A)(a) on page 205.

15. Payment not exceeding Rs. 10,000, in a previous year, for the purchase or construction of a residential house the construction of which is completed after 31-3-1987, and the income from which is chargeable under the head "Income from House property". From assessment year 1992-93 and onwards, this tax rebate is also extended to a residential house constructed or purchased even before 1-4-1987. For further details, refer item (b) of conditions.

Conditions:

- (a) "Contribution" to any fund will not include any sums in repayment of loan taken from that fund.
(b) Payment for purchase or construction of residential house will include any instalment or part payment of the amount due under any self-financing or other scheme of any development authority/housing board/other similar authority or to any company/co-operative society of which assessee is a shareholder/member.

It will also include re-payment of loan borrowed by the assessee from: (1) Government, or (2) any bank, or (3) Life Insurance Corporation of India, or (4) the National Housing Bank, or (5) certain categories of institutions engaged in the business of providing long-term finance for construction or purchase of residential house in India, or (6) any public limited company or co-operative society engaged in the business of financing the construction of houses, or (7) the assessee's employer where such employer is a public company or a public sector company or a university or a college affiliated to such university or a local authority or, from assessment year 1992-93 and onwards, a co-operative society.

Payments towards the cost of house property will include stamp duty, registration fee and other expenses for the purpose of transfer of house to the assessee. Payments towards cost of house, however, will not include admission fee or cost of share or initial deposit or cost of addition/alteration/renovation/repair incurred after the house is occupied/let out by the assessee or any expenditure in respect of which deduction is allowable u/s. 24 or for assessment year 1991-92, cost of land (except where the consideration for purchase of house is a composite amount and the cost of land cannot be separately ascertained).

- (c) Under section 88(7), where, in any previous year, an assessee—

(A) terminates contract of insurance referred to in item (1) on page 208, by notice or where the contract ceases to be in force by reason of failure to pay any premium, before premiums have been paid for 2 years, or

(B) terminates his participation in any unit-linked insurance plan, referred to in items (9) & (10) on page 208, by notice or where he ceases to participate by reason of failure to pay contribution, before contributions have been paid for 5 years, or

(C) transfers the house, referred to in item (15) above, before the expiry of 5 years from the end of the financial year in which possession of such property is obtained by him, or receives back, whether by way of refund or otherwise, any sums specified in condition (b) above,

then,

(i) no deduction is to be allowed with reference to any of the sums [referred to in items (1), (9), (10) & (15)] paid in such previous year; and

(ii) the aggregate amount of the deductions of income-tax allowed in earlier previous year(s) shall be deemed to be tax payable in the assessment year relevant to such previous year and shall be added to the tax on the total income of the assessee with which he is chargeable for such assessment year.

EXAMPLE FOR REBATE OF (DEDUCTION FROM) INCOME-TAX U/S. 88B:

For assessment year 1994-95, Mr. A, who has attained age of 65 years on 30-3-1994, has gross total income of Rs. 70,000 which includes dividend income Rs. 11,000. He has invested Rs. 30,000 in National Savings Certificates VIIIth Issue on 1-1-1994. The tax payable by him after availing of rebates (deductions) u/s. 88 and u/s. 88B is as under:

Gross total income	Rs.	70,000
<i>Less: Deduction under Chapter VIA:</i>		
Deduction u/s. 80L:		
Dividend income Rs. 11,000	Rs.	10,000
Maximum deduction u/s. 80L(1) restricted to	Rs.	60,000
Total (taxable) income	Rs.	7,000
Income-tax on Rs. 60,000 total (taxable) income (Refer page 212)..	Rs.	7,000
<i>Less: (1) Deduction from income-tax u/s. 88B:</i>		
Since Mr. A has attained age of 65 years during the previous year i.e., financial year 1993-94 (on 30-3-94) and his gross total income does not exceed Rs. 75,000, he is entitled to deduction u/s. 88B @ 20% of Rs. 7,000 [being income-tax on total (taxable) income Rs. 60,000] i.e., 20% of Rs. 7,000		
	Rs.	1,400
Income-tax payable after availing deduction u/s. 88B	Rs.	5,600
<i>(2) Deduction from income-tax u/s. 88:</i>		
Investment in NSC VIIIth Issue	Rs.	30,000
Deduction @ 20% of Rs. 30,000 u/s. 88(1)	Rs.	6,000
Amount of deduction u/s. 88 restricted u/s. 87(2) to Rs. 5,600 [Rs. 7,000 being the amount of income-tax chargeable on Rs. 60,000 total (taxable) income less rebate u/s. 88B Rs. 1,400]	Rs.	5,600
Income-tax payable on Rs. 60,000 total (taxable) income after availing deduction from income-tax u/s. 88 & 88B read with section 87(2)	Rs.	Nil

Note: Deduction from income-tax u/s. 88B is to be first availed of before availing deduction from income-tax u/s. 88 (Refer section 88B).

TABLE I
INCOME-TAX**
FOR INDIVIDUALS ONLY*
WHERE THE TAXABLE INCOME IS BETWEEN:

Rs. 30,000 & Rs. 50,000

ASSESSMENT YEAR
1994-95

Accounting period: Financial year ending 31-3-1994.

The table given hereunder may be referred for the purposes of:

(1) **SELF ASSESSMENT ‡** & (2) **REGULAR ASSESSMENT**

SLAB RATE: INCOME-TAX @ 20%†

Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.
10	2	20	4	30	6	40	8	50	10	60	12	70	14	80	16
20	4	30	6	40	8	50	10	60	12	70	14	80	16	90	18

****IMPORTANT**

Income-tax is to be arrived at with reference to table given, on the taxable income, that is gross total income as reduced by deductions under Chapter VIA [Refer pp. 186-204]. From the income-tax so arrived at, the following rebates of (deduction from) income-tax is to be allowed u/s. 88 & 88B to arrive at the income-tax payable:

(a) in respect of aggregate sums invested or deposited in specified savings, referred to in section 88 [Refer pp. 205-209]:

(1) @ 20% of such savings, in the case of an individual [other than (2) below],

(2) @ 25% of such savings, in the case of an individual, whose total income, derived from the exercise of his profession as an author, playwright, artist, musician, actor or sportsman (including an athlete), is 25% or more of his total income [Proviso to section 88(1)],

(b) @ 20% of the tax payable by resident individual who is of the age of 65 years or more at any time during the previous year and whose gross total income does not exceed Rs. 75,000. 'Gross total income' means total income determined under the Act, before making any deduction under Chapter VIA of the Act [Section 88B].

Where the taxable income exceeds Rs. 1,00,000, the amount of income-tax as reduced by the rebates u/s. 88, will be increased by a surcharge of 12% on such reduced amount of income-tax.

NOTES:

1. The rebate under section 88 from income-tax will be limited to Rs. 12,000. That is, maximum amount of savings can be Rs. 60,000. In the case of author, playwright, artist, musician, actor or sportsman (including an athlete) [refer (a)(2) above], the said rebate is upto Rs. 17,500. That is, maximum amount of savings can be Rs. 70,000, in their cases [Section 88(6)].

2. The total of both the rebates under sections 88 & 88B will be limited to income-tax chargeable (before allowing the said rebates) on the taxable income [Section 87(2)].

3. The tables given hereunder is before the rebates under sections 88 & 88B. The following example will illustrate the method to calculate the tax payable:

EXAMPLE:

1. Taxable income, that is gross total income as reduced by deductions u/s. 80D to 80V for assessment year 1994-95, is	Rs. 48,000
2. Contribution to public provident fund & life insurance premia paid, qualifying for deduction u/s. 88, is	Rs. 10,000
Income-tax chargeable on Rs. 48,000 taxable income (Refer page 211)	Rs. 3,600
Less: Deduction from income-tax u/s. 88:	
Deduction @ 20% of Rs. 10,000 (Refer 2 above)	Rs. 2,000
Income-tax payable on Rs. 48,000 taxable income for assessment year 1994-95	Rs. 1,600

Note: Income-tax payable on taxable income (as reduced by long-term capital gains, if any) is to be computed with reference to the above table. For income-tax payable on long-term capital gains, refer pp. 134-135.

† Surcharge on income-tax is payable where the taxable income exceeds Rs. 1,00,000.

* This table also applies to association of persons, body of individuals, non-residents, etc., etc. In the case of Hindu undivided families, the above table may be referred only in cases where none of the members of the family has independent taxable income exceeding Rs. 30,000. In cases where any one or more members of Hindu undivided family have independent taxable income in excess of Rs. 30,000, the tax computation of such Hindu undivided family is given on page 216. For examples, refer pp. 284-289.

‡ Self-assessment tax payable shall also include interest payable under sections 234A, 234B and 234C, if any. For details, refer page 153.

§ For estimated annual tax on 'Salaries' and 'advance tax' payable during the financial year ending on 31-3-1995, please refer pp. 290-291.

TABLE I — (Contd.)

Before you proceed to refer this table, please refer explanatory note marked *IMPORTANT** on page 210.

Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.
30000	—	30330	66	31100	220	34200	840	37300	1460	40400	2080	43500	2700	46800	3360
30010	2	30340	68	31200	240	34300	860	37400	1480	40500	2100	43600	2720	46900	3380
30020	4	30350	70	31300	260	34400	880	37500	1500	40600	2120	43700	2740	47000	3400
30030	6	30360	72	31400	280	34500	900	37600	1520	40700	2140	43800	2760	47100	3420
30040	8	30370	74	31500	300	34600	920	37700	1540	40800	2160	43900	2780	47200	3440
30050	10	30380	76	31600	320	34700	940	37800	1560	40900	2180	44000	2800	47300	3460
30060	12	30390	78	31700	340	34800	960	37900	1580	41000	2200	44100	2820	47400	3480
30070	14	30400	80	31800	360	34900	980	38000	1600	41100	2220	44200	2840	47500	3500
30080	16	30410	82	31900	380	35000	1000	38100	1620	41200	2240	44300	2860	47600	3520
30090	18	30420	84	32000	400	35100	1020	38200	1640	41300	2260	44400	2880	47700	3540
30100	20	30430	86	32100	420	35200	1040	38300	1660	41400	2280	44500	2900	47800	3560
30110	22	30440	88	32200	440	35300	1060	38400	1680	41500	2300	44600	2920	47900	3580
30120	24	30450	90	32300	460	35400	1080	38500	1700	41600	2320	44700	2940	48000	3600
30130	26	30460	92	32400	480	35500	1100	38600	1720	41700	2340	44800	2960	48100	3620
30140	28	30470	94	32500	500	35600	1120	38700	1740	41800	2360	44900	2980	48200	3640
30150	30	30480	96	INDIVIDUALS* ASSESSMENT YEAR 1994-95								45000	3000	48300	3660
30160	32	30490	98									45100	3020	48400	3680
30170	34	30500	100	32600	520	35700	1140	38800	1760	41900	2380	45200	3040	48500	3700
30180	36	30510	102	32700	540	35800	1160	38900	1780	42000	2400	45300	3060	48600	3720
30190	38	30520	104	32800	560	35900	1180	39000	1800	42100	2420	45400	3080	48700	3740
30200	40	30530	106	32900	580	36000	1200	39100	1820	42200	2440	45500	3100	48800	3760
30210	42	30540	108	33000	600	36100	1220	39200	1840	42300	2460	45600	3120	48900	3780
30220	44	30550	110	33100	620	36200	1240	39300	1860	42400	2480	45700	3140	49000	3800
30230	46	30560	112	33200	640	36300	1260	39400	1880	42500	2500	45800	3160	49100	3820
30240	48	30570	114	33300	660	36400	1280	39500	1900	42600	2520	45900	3180	49200	3840
30250	50	30580	116	33400	680	36500	1300	39600	1920	42700	2540	46000	3200	49300	3860
30260	52	30590	118	33500	700	36600	1320	39700	1940	42800	2560	46100	3220	49400	3880
30270	54	30600	120	33600	720	36700	1340	39800	1960	42900	2580	46200	3240	49500	3900
30280	56	30610	122	33700	740	36800	1360	39900	1980	43000	2600	46300	3260	49600	3920
30290	58	30700	140	33800	760	36900	1380	40000	2000	43100	2620	46400	3280	49700	3940
30300	60	30800	160	33900	780	37000	1400	40100	2020	43200	2640	46500	3300	49800	3960
30310	62	30900	180	34000	800	37100	1420	40200	2040	43300	2660	46600	3320	49900	3980
30320	64	31000	200	34100	820	37200	1440	40300	2060	43400	2680	46700	3340	50000	4000

† Surcharge on Income-tax is payable where the taxable income exceeds Rs. 1,00,000.

§ Refer § marked note on page 210.

TABLE II
INCOME-TAX**
FOR INDIVIDUALS ONLY*
WHERE THE TAXABLE INCOME IS BETWEEN:
Rs. 50,000 & Rs. 1,00,000

ASSESSMENT YEAR
1994-955

Accounting period: Financial year ending 31-3-1994.

The table given hereunder may be referred for the purposes of:

(1) SELF ASSESSMENT ‡ & (2) REGULAR ASSESSMENT

** Before you proceed to refer this table, please refer explanatory note marked ** "IMPORTANT" on page 210.

SLAB RATE: INCOME-TAX @ 30%†

Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.
10	3	20	6	30	9	40	12	50	15	60	18	70	21	90	27
20	6	30	9	40	12	50	15	60	18	70	21	80	24	100	30
50000	4000	51800	4540	INDIVIDUALS* ASSESSMENT YEAR 1994-955								59600	6880	61400	7420
50100	4030	51900	4570									59700	6910	61500	7450
50200	4060	52000	4600									59800	6940	61600	7480
50300	4090	52100	4630	53600	5080	55100	5530	56600	5980	58100	6430	59900	6970	61700	7510
50400	4120	52200	4660	53700	5110	55200	5560	56700	6010	58200	6460	60000	7000	61800	7540
50500	4150	52300	4690	53800	5140	55300	5590	56800	6040	58300	6490	60100	7030	61900	7570
50600	4180	52400	4720	53900	5170	55400	5620	56900	6070	58400	6520	60200	7060	62000	7600
50700	4210	52500	4750	54000	5200	55500	5650	57000	6100	58500	6550	60300	7090	62100	7630
50800	4240	52600	4780	54100	5230	55600	5680	57100	6130	58600	6580	60400	7120	62200	7660
50900	4270	52700	4810	54200	5260	55700	5710	57200	6160	58700	6610	60500	7150	62300	7690
51000	4300	52800	4840	54300	5290	55800	5740	57300	6190	58800	6640	60600	7180	62400	7720
51100	4330	52900	4870	54400	5320	55900	5770	57400	6220	58900	6670	60700	7210	62500	7750
51200	4360	53000	4900	54500	5350	56000	5800	57500	6250	59000	6700	60800	7240	62600	7780
51300	4390	53100	4930	54600	5380	56100	5830	57600	6280	59100	6730	60900	7270	62700	7810
51400	4420	53200	4960	54700	5410	56200	5860	57700	6310	59200	6760	61000	7300	62800	7840
51500	4450	53300	4990	54800	5440	56300	5890	57800	6340	59300	6790	61100	7330	62900	7870
51600	4480	53400	5020	54900	5470	56400	5920	57900	6370	59400	6820	61200	7360	63000	7900
51700	4510	53500	5050	55000	5500	56500	5950	58000	6400	59500	6850	61300	7390	63100	7930

Note: Income-tax payable on taxable income (as reduced by long-term capital gains, if any) is to be computed with reference to the above table. For income-tax payable on long-term capital gains, refer pp. 134-135.

† Surcharge on income-tax is payable where the taxable income exceeds Rs. 1,00,000.

* This table also applies to association of persons, body of individuals, non-residents, etc., etc. In the case of Hindu undivided families, the above table may be referred only in cases where none of the members of the family has independent taxable income exceeding Rs. 30,000. In cases where any one or more members of Hindu undivided family have independent taxable income in excess of Rs. 30,000, the tax computation of such Hindu undivided family is given on page 216. For examples, refer pp. 284-289.

‡ Self-assessment tax shall also include interest payable under sections 234A, 234B and 234C, if any. For details, refer page 153.

§ For estimated annual tax on "Salaries" and "advance tax" payable during the financial year ending on 31-3-1995, please refer pp. 290-293.

TABLE II — (Contd.)

Before you proceed to refer this table, please refer explanatory note marked *IMPORTANT on page 210.

Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.
63100	7930	66400	8920	69700	9910	73000	10900	76300	11890	80400	13120	87000	15100	93600	17080
63200	7960	66500	8950	69800	9940	73100	10930	76400	11920	80600	13180	87200	15160	93800	17140
63300	7990	66600	8980	69900	9970	73200	10960	76500	11950	80800	13240	87400	15220	94000	17200
63400	8020	66700	9010	70000	10000	73300	10990	76600	11980	81000	13300	87600	15280	94200	17260
63500	8050	66800	9040	70100	10030	73400	11020	76700	12010	81200	13360	87800	15340	94400	17320
63600	8080	66900	9070	70200	10060	73500	11050	76800	12040	81400	13420	88000	15400	94600	17380
63700	8110	67000	9100	70300	10090	73600	11080	76900	12070	81600	13480	88200	15460	94800	17440
63800	8140	67100	9130	70400	10120	73700	11110	77000	12100	81800	13540	88400	15520	95000	17500
63900	8170	67200	9160	70500	10150	73800	11140	77100	12130	82000	13600	88600	15580	95200	17560
64000	8200	67300	9190	70600	10180	73900	11170	77200	12160	82200	13660	88800	15640	95400	17620
64100	8230	67400	9220	70700	10210	74000	11200	77300	12190	82400	13720	89000	15700	95600	17680
64200	8260	67500	9250	70800	10240	74100	11230	77400	12220	82600	13780	89200	15760	95800	17740
64300	8290	67600	9280	70900	10270	74200	11260	77500	12250	82800	13840	89400	15820	96000	17800
64400	8320	67700	9310	71000	10300	74300	11290	77600	12280	83000	13900	89600	15880	96200	17860
64500	8350	67800	9340	71100	10330	74400	11320	77700	12310	83200	13960	89800	15940	96400	17920
64600	8380	67900	9370	71200	10360	74500	11350	77800	12340	83400	14020	90000	16000	96600	17980
64700	8410	68000	9400	71300	10390	74600	11380	77900	12370	83600	14080	90200	16060	96800	18040
64800	8440	68100	9430	71400	10420	74700	11410	78000	12400	83800	14140	90400	16120	97000	18100
64900	8470	68200	9460	71500	10450	74800	11440	78100	12430	84000	14200	90600	16180	97200	18160
65000	8500	68300	9490	71600	10480	74900	11470	78200	12460	84200	14260	90800	16240	97400	18220
65100	8530	68400	9520	71700	10510	75000	11500	78300	12490	84400	14320	91000	16300	97600	18280
65200	8560	68500	9550	71800	10540	75100	11530	78400	12520	84600	14380	91200	16360	97800	18340
65300	8590	68600	9580	71900	10570	75200	11560	78500	12550	84800	14440	91400	16420	98000	18400
65400	8620	68700	9610	72000	10600	75300	11590	78600	12580	85000	14500	91600	16480	98200	18460
65500	8650	68800	9640	72100	10630	75400	11620	78700	12610	85200	14560	91800	16540	98400	18520
65600	8680	68900	9670	72200	10660	75500	11650	78800	12640	85400	14620	92000	16600	98600	18580
65700	8710	69000	9700	72300	10690	75600	11680	79000	12700	85600	14680	92200	16660	98800	18640
65800	8740	69100	9730	72400	10720	75700	11710	79200	12760	85800	14740	92400	16720	99000	18700
65900	8770	69200	9760	72500	10750	75800	11740	79400	12820	86000	14800	92600	16780	99200	18760
66000	8800	69300	9790	72600	10780	75900	11770	79600	12880	86200	14860	92800	16840	99400	18820
66100	8830	69400	9820	72700	10810	76000	11800	79800	12940	86400	14920	93000	16900	99600	18880
66200	8860	69500	9850	72800	10840	76100	11830	80000	13000	86600	14980	93200	16960	99800	18940
66300	8890	69600	9880	72900	10870	76200	11860	80200	13060	86800	15040	93400	17020	100000	19000

† Surcharge on income-tax is payable where the taxable income exceeds Rs. 1,00,000.

§ Refer § marked note on page 212.

TABLE III
INCOME-TAX AND SURCHARGE**
FOR INDIVIDUALS ONLY*
WHERE THE TAXABLE INCOME IS BETWEEN:

Rs. 1,00,000 & Rs. 6,00,000

ASSESSMENT YEAR
1994-95

Accounting period: Financial year ending 31-3-1994.

The table given hereunder may be referred for the purposes of:

(1) SELF ASSESSMENT + & (2) REGULAR ASSESSMENT

** Before you proceed to refer this table, please refer explanatory note marked "*** IMPORTANT" on page 210.

SLAB RATE: INCOME-TAX @ 40%

† SURCHARGE: 12% OF INCOME-TAX

Taxable Income Rs.	I.T. Rs.	REFER † NOTE		Taxable Income Rs.	I.T. Rs.	REFER † NOTE		Taxable Income Rs.	I.T. Rs.	REFER † NOTE		Taxable Income Rs.	I.T. Rs.	REFER † NOTE	
		S.C.† Rs. P.	Total† Rs. P.			S.C.† Rs. P.	Total† Rs. P.			S.C.† Rs. P.	Total† Rs. P.			S.C.† Rs. P.	Total† Rs. P.
10	4	0.48	4.48	60	24	2.88	26.88	300	120	14.40	134.40	900	360	43.20	403.20
20	8	0.96	8.96	70	28	3.36	31.36	400	160	19.20	179.20	1000	400	48.00	448.00
30	12	1.44	13.44	80	32	3.84	35.84	500	200	24.00	224.00	2000	800	96.00	896.00
40	16	1.92	17.92	90	36	4.32	40.32	600	240	28.80	268.80	3000	1200	144.00	1344.00
50	20	2.40	22.40	100	40	4.80	44.80	700	280	33.60	313.60	4000	1600	192.00	1792.00
60	24	2.88	26.88	200	80	9.60	89.60	800	320	38.40	358.40	5000	2000	240.00	2240.00
100000	19000	12280	21280	INDIVIDUALS* ASSESSMENT YEAR 1994-95								135000	33000	3960	36960
100500	19200	2304	21504									135500	33200	3984	37184
101000	19400	2328	21728									136000	33400	4008	37408
102000	19800	2376	22176	113000	24200	2904	27104	124000	28600	3432	32032	137000	33800	4056	37856
103000	20200	2424	22624	114000	24600	2952	27552	125000	29000	3480	32480	138000	34200	4104	38304
104000	20600	2472	23072	115000	25000	3000	28000	126000	29400	3528	32928	139000	34600	4152	38752
105000	21000	2520	23520	116000	25400	3048	28448	127000	29800	3576	33376	140000	35000	4200	39200
106000	21400	2568	23968	117000	25800	3096	28896	128000	30200	3624	33824	141000	35400	4248	39648
107000	21800	2616	24416	118000	26200	3144	29344	129000	30600	3672	34272	142000	35800	4296	40096
108000	22200	2664	24864	119000	26600	3192	29792	130000	31000	3720	34720	143000	36200	4344	40544
109000	22600	2712	25312	120000	27000	3240	30240	131000	31400	3768	35168	144000	36600	4392	40992
110000	23000	2760	25760	121000	27400	3288	30688	132000	31800	3816	35616	145000	37000	4440	41440
111000	23400	2808	26208	122000	27800	3336	31136	133000	32200	3864	36064	146000	37400	4488	41888
112000	23800	2856	26656	123000	28200	3384	31584	134000	32600	3912	36512	147000	37800	4536	42336

Note: Tax payable on taxable income (as reduced by long-term capital gains, if any) is to be computed with reference to the above table. For tax payable on long-term capital gains, refer page 134-135.

† Surcharge at the rate of 12% on income-tax is payable where the taxable income exceeds Rs. 1,00,000. In such cases surcharge is payable on the whole amount of income-tax as no marginal relief is provided in the Finance Act, 1994. If the taxable income does not exceed Rs. 1,00,000, surcharge on income-tax is not payable. However, in the case of a non-resident surcharge at the rate of 12% on income-tax is not payable even in cases where the taxable income exceeds Rs. 1,00,000 (Vide proviso to Sub-Paragraph 1 of Paragraph A of Part I of the First Schedule to the Finance Act, 1994). In cases where deduction from income-tax is allowable u/s. 88, please do not compute surcharge and total from these columns.

* This table also applies to association of persons, body of individuals, non-residents, etc., etc. In the case of Hindu undivided families, the above table may be referred only in cases where none of the members of the family has independent taxable income exceeding Rs. 30,000. In cases where any one or more members of Hindu undivided family have independent taxable income in excess of Rs. 30,000, the tax computation of such Hindu undivided family is given on page 217. For examples, refer pp. 284-289.

† Self-assessment tax payable shall also include interest payable under sections 234A, 234B and 234C, if any. For details, refer page 153.
‡ For estimated annual tax on "Salaries" and "advance tax" payable during the financial year ending on 31-3-1995, please refer pp. 242-244.

TABLE III — (Contd.)

** Before you proceed to refer this table, please refer explanatory note marked "***IMPORTANT" on page 210.

Taxable Income Rs.	I.T. Rs.	REFER ↑ NOTE		Taxable Income Rs.	I.T. Rs.	REFER ↑ NOTE		Taxable Income Rs.	I.T. Rs.	REFER ↑ NOTE		Taxable Income Rs.	I.T. Rs.	REFER ↑ NOTE	
		S.C.† Rs.	Total† Rs.			S.C.† Rs.	Total† Rs.			S.C.† Rs.	Total† Rs.			S.C.† Rs.	Total† Rs.
148000	38200	4584	42784	185000	53000	6360	59360	325000	109000	13080	122080	465000	165000	19800	184800
149000	38600	4632	43232	190000	55000	6600	61600	330000	111000	13320	124320	470000	167000	20040	187040
150000	39000	4680	43680	195000	57000	6840	63840	335000	113000	13560	126560	475000	169000	20280	189280
151000	39400	4728	44128	200000	59000	7080	66080	340000	115000	13800	128800	480000	171000	20520	191520
152000	39800	4776	44576	205000	61000	7320	68320	345000	117000	14040	131040	485000	173000	20760	193760
153000	40200	4824	45024	210000	63000	7560	70560	350000	119000	14280	133280	490000	175000	21000	196000
154000	40600	4872	45472	215000	65000	7800	72800	355000	121000	14520	135520	495000	177000	21240	198240
155000	41000	4920	45920	220000	67000	8040	75040	360000	123000	14760	137760	500000	179000	21480	200480
156000	41400	4968	46368	225000	69000	8280	77280	365000	125000	15000	140000	505000	181000	21720	202720
157000	41800	5016	46816	230000	71000	8520	79520	370000	127000	15240	142240	510000	183000	21960	204960
158000	42200	5064	47264	235000	73000	8760	81760	375000	129000	15480	144480	515000	185000	22200	207200
159000	42600	5112	47712	240000	75000	9000	84000	380000	131000	15720	146720	520000	187000	22440	209440
160000	43000	5160	48160	245000	77000	9240	86240	385000	133000	15960	148960	525000	189000	22680	211680
161000	43400	5208	48608	250000	79000	9480	88480	390000	135000	16200	151200	530000	191000	22920	213920
162000	43800	5256	49056	255000	81000	9720	90720	395000	137000	16440	153440	535000	193000	23160	216160
163000	44200	5304	49504	260000	83000	9960	92960	400000	139000	16680	155680	540000	195000	23400	218400
164000	44600	5352	49952	265000	85000	10200	95200	405000	141000	16920	157920	545000	197000	23640	220640
165000	45000	5400	50400	270000	87000	10440	97440	410000	143000	17160	160160	550000	199000	23880	222880
166000	45400	5448	50848	275000	89000	10680	99680	415000	145000	17400	162400	555000	201000	24120	225120
167000	45800	5496	51296	280000	91000	10920	101920	420000	147000	17640	164640	560000	203000	24360	227360
168000	46200	5544	51744	285000	93000	11160	104160	425000	149000	17880	166880	565000	205000	24600	229600
169000	46600	5592	52192	290000	95000	11400	106400	430000	151000	18120	169120	570000	207000	24840	231840
170000	47000	5640	52640	295000	97000	11640	108640	435000	153000	18360	171360	575000	209000	25080	234080
171000	47400	5688	53088	300000	99000	11880	110880	440000	155000	18600	173600	580000	211000	25320	236320
172000	47800	5736	53536	305000	101000	12120	113120	445000	157000	18840	175840	585000	213000	25560	238560
173000	48200	5784	53984	310000	103000	12360	115360	450000	159000	19080	178080	590000	215000	25800	240800
175000	49000	5880	54880	315000	105000	12600	117600	455000	161000	19320	180320	595000	217000	26040	243040
180000	51000	6120	57120	320000	107000	12840	119840	460000	163000	19560	182560	600000	219000	26280	245280

† In cases where deduction from income-tax is allowable u/s. 88, please do not compute surcharge and total from these columns. Refer explanatory note marked "***IMPORTANT" on page 210.
§ Refer § marked note on page 214.

Income-tax & Surcharge payable over Rs. 6,00,000 taxable income for assessment year 1994-95:

	Income-tax		Surcharge		Total
For every	Rs.	10,000	Rs.	4,000.00	480.00
For every	Rs.	1,000	Rs.	400.00	48.00
For every	Rs.	100	Rs.	40.00	4.80
For every	Rs.	10	Rs.	4.00	0.48

TABLE IV
INCOME-TAX FOR HINDU UNDIVIDED FAMILIES ONLY*

Where

The independent total (taxable) income of at least one member exceeds Rs. 30,000

ASSESSMENT YEAR
1994-955

Accounting period: Financial year ending 31-3-1994.

The table given hereunder may be referred for the purposes of:

(1) SELF ASSESSMENT † & (2) REGULAR ASSESSMENT

Before you proceed to refer this table, please refer explanatory note marked "***IMPORTANT" on page 210.

EXAMPLE:

1. Taxable income, that is gross total income as reduced by deductions u/s. 80D to 80L, for assessment year 1994-95, is	Rs. 28,000
2. Life insurance premia paid, qualifying for deduction u/s. 88, is	Rs. 5,000
Income-tax chargeable on Rs. 28,000 taxable income (Refer table below)	Rs. 3,000
Less: Deduction from income-tax u/s. 88:	
Deduction @ 20% of Rs. 5,000 (Refer 2 above)	Rs. 1,000
Income-tax payable on Rs. 28,000 taxable income for assessment year 1994-95	Rs. 2,000

WHERE THE TAXABLE INCOME IS BETWEEN:

Rs. 18,000 & Rs. 1,00,000
SLAB RATE: I.T. 30%†

Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.	Taxable Income Rs.	I.T.† Rs.
10	3	30	9	50	15	70	21	90	27	200	60	400	120	700	210
20	6	40	12	60	18	80	24	100	30	300	90	500	150	800	240
30	9	50	15	70	21	90	27	200	60	400	120	600	180	900	270
18000	—	21400	1020	24800	2040	27800	2940	38000	6000	53000	10500	67000	14700	84000	19800
18200	60	21600	1080	25000	2100	28000	3000	39000	6300	54000	10800	68000	15000	85000	20100
18400	120	21800	1140	25200	2160	28200	3060	40000	6600	55000	11100	69000	15300	86000	20400
18600	180	22000	1200	25400	2220	28400	3120	41000	6900	56000	11400	70000	15600	87000	20700
18800	240	22200	1260	25600	2280	28600	3180	42000	7200	57000	11700	71000	15900	88000	21000
19000	300	22400	1320	25800	2340	28800	3240	43000	7500	58000	12000	72000	16200	89000	21300
19200	360	22600	1380	26000	2400	29000	3300	44000	7800	59000	12300	73000	16500	90000	21600
19400	420	22800	1440	HINDU UNDIVIDED FAMILIES* ASSESSMENT YEAR 1994-955								74000	16800	91000	21900
19600	480	23000	1500									75000	17100	92000	22200
19800	540	23200	1560	26200	2460	30000	3600	45000	8100	60000	12600	76000	17400	93000	22500
20000	600	23400	1620	26400	2520	31000	3900	46000	8400	61000	12900	77000	17700	94000	22800
20200	660	23600	1680	26600	2580	32000	4200	47000	8700	62000	13200	78000	18000	95000	23100
20400	720	23800	1740	26800	2640	33000	4500	48000	9000	63000	13500	79000	18300	96000	23400
20600	780	24000	1800	27000	2700	34000	4800	49000	9300	64000	13800	80000	18600	97000	23700
20800	840	24200	1860	27200	2760	35000	5100	50000	9600	65000	14100	81000	18900	98000	24000
21000	900	24400	1920	27400	2820	36000	5400	51000	9900	66000	14400	82000	19200	99000	24300
21200	960	24600	1980	27600	2880	37000	5700	52000	10200	67000	14700	83000	19500	100000	24600

Note: Income-tax payable on taxable income (as reduced by long-term capital gains, if any) is to be computed with reference to the above table. For income-tax payable on long-term capital gains, refer pp. 134-135.

* Important: This table is to be referred only in cases where the assessee is a Hindu undivided family and any one or more members have independent total (taxable) income exceeding Rs. 30,000. If none of the members of Hindu undivided family has taxable income exceeding Rs. 30,000, please refer the tables given on pp. 210-213.

† Surcharge at the rate of 12% on income-tax is payable where the taxable income exceeds Rs. 1,00,000.

‡ Self-assessment tax payable shall also include interest payable under sections 234A, 234B and 234C, if any. For details, refer page 153.

§ For purposes of "advance tax" payable during the financial year ending on 31-3-1995, refer page 296.

TABLE V INCOME-TAX & SURCHARGE FOR HINDU UNDIVIDED FAMILIES ONLY*

Where

The independent total (taxable) income of at least one member exceeds Rs. 30,000

ASSESSMENT YEAR

1994-955

Accounting period: Financial year ending 31-3-1994.

The table given hereunder may be referred for the purposes of:

(1) SELF ASSESSMENT † & (2) REGULAR ASSESSMENT

Before you proceed to refer this table, please refer explanatory note marked "***IMPORTANT" on page 210.

WHERE THE TAXABLE INCOME IS BETWEEN:
Rs. 1,00,000 & Rs. 5,00,000

SLAB RATE: I.T. 40%

S.C. 12% of I.T.†

Taxable Income Rs.	I.T. Rs.	REFER † NOTE		Taxable Income Rs.	I.T. Rs.	REFER † NOTE		Taxable Income Rs.	I.T. Rs.	REFER † NOTE	
		S.C.† Rs. P.	Total† Rs. P.			S.C.† Rs. P.	Total† Rs. P.			S.C.† Rs. P.	Total† Rs. P.
10	4	0.48	4.48	100	40	4.80	44.80	900	360	43.20	403.20
20	8	0.96	8.96	200	80	9.60	89.60	1000	400	48.00	448.00
30	12	1.44	13.44	300	120	14.40	134.40	2000	800	96.00	896.00
40	16	1.92	17.92	400	160	19.20	179.20	3000	1200	144.00	1344.00
50	20	2.40	22.40	500	200	24.00	224.00	4000	1600	192.00	1792.00
60	24	2.88	26.88	600	240	28.80	268.80	5000	2000	240.00	2240.00
70	28	3.36	31.36	700	280	33.60	313.60	6000	2400	288.00	2688.00
80	32	3.84	35.84	800	320	38.40	358.40	7000	2800	336.00	3136.00
90	36	4.32	40.32	HINDU UNDIVIDED FAMILIES* ASSESSMENT YEAR 1994-955				8000	3200	384.00	3584.00
100	40	4.80	44.80					9000	3600	432.00	4032.00
100000	24600	†2952	27552	210000	68600	8232	76832	360000	128600	15432	144032
101000	25000	3000	28000	220000	72600	8712	81312	370000	132600	15912	148512
102000	25400	3048	28448	230000	76600	9192	85792	380000	136600	16392	152992
103000	25800	3096	28896	240000	80600	9672	90272	390000	140600	16872	157472
105000	26600	3192	29792	250000	84600	10152	94752	400000	144600	17352	161952
110000	28600	3432	32032	260000	88600	10632	99232	410000	148600	17832	166432
120000	32600	3912	36512	270000	92600	11112	103712	420000	152600	18312	170912
130000	36600	4392	40992	280000	96600	11592	108192	430000	156600	18792	175392
140000	40600	4872	45472	290000	100600	12072	112672	440000	160600	19272	179872
150000	44600	5352	49952	300000	104600	12552	117152	450000	164600	19752	184352
160000	48600	5832	54432	310000	108600	13032	121632	460000	168600	20232	188832
170000	52600	6312	58912	320000	112600	13512	126112	470000	172600	20712	193312
180000	56600	6792	63392	330000	116600	13992	130592	480000	176600	21192	197792
190000	60600	7272	67872	340000	120600	14472	135072	490000	180600	21672	202272
200000	64600	7752	72352	350000	124600	14952	139552	500000	184600	22152	206752

Note: Tax payable on taxable income (as reduced by long-term capital gains, if any) is to be computed with reference to the above table. For tax payable on long-term capital gains, refer pp. 134-135.

* Important: This table is to be referred only in cases where the assessee is a Hindu undivided family and any one or more members have independent total (taxable) income exceeding Rs. 30,000. If none of the members of Hindu undivided family has taxable income exceeding Rs. 30,000, please refer the table given on pp. 214-215.

† In cases where deduction from income-tax is allowable u/s. 88, please do not compute surcharge and total from these columns. Refer explanatory note marked "***IMPORTANT" on page 210.

‡ Self-assessment tax payable shall also include interest payable under sections 234A, 234B and 234C, if any. For details, refer page 153.

§ For purposes of "advance tax" payable during the financial year ending on 31-3-1995, refer page 297.

TABLE VI
INCOME-TAX & SURCHARGE¹ FOR FIRMS ONLY
ASSESSMENT YEAR 1994-95⁴

Accounting period: Financial year ending 31-3-1994.

The table given hereunder may be referred for the purposes of:

(1) SELF ASSESSMENT² and (2) REGULAR ASSESSMENT

FLAT RATE: INCOME-TAX @ 40%

SURCHARGE: 12% OF INCOME-TAX¹

Where the taxable income does not exceed Rs. 1,00,000				Where the taxable income exceeds Rs. 1,00,000											
Taxable income ³ Rs.	I.T. ¹ Rs.	Taxable income ³ Rs.	I.T. ¹ Rs.	Taxable income ³ Rs.	I.T. ¹ Rs.	S.C. ¹ Rs. P.	Total ¹ Rs. P.	Taxable income ³ Rs.	I.T. ¹ Rs.	S.C. ¹ Rs. P.	Total ¹ Rs. P.	Taxable income ³ Rs.	I.T. ¹ Rs.	S.C. ¹ Rs.	Total ¹ Rs.
10	4	300	120	10	4	0.48	4.48	300	120	14.40	134.40	4000	1600	192	1792
20	8	400	160	20	8	0.96	8.96	400	160	19.20	179.20	5000	2000	240	2240
30	12	500	200	30	12	1.44	13.44	500	200	24.00	224.00	6000	2400	288	2688
40	16	600	240	40	16	1.92	17.92	600	240	28.80	268.80	7000	2800	336	3136
50	20	700	280	50	20	2.40	22.40	700	280	33.60	313.60	8000	3200	384	3584
60	24	800	320	60	24	2.88	26.88	800	320	38.40	358.40	9000	3600	432	4032
70	28	900	360	70	28	3.36	31.36	900	360	43.20	403.20	10000	4000	480	4480
80	32	1000	400	80	32	3.84	35.84	1000	400	48.00	448.00	20000	8000	960	8960
90	36	2000	800	90	36	4.32	40.32	2000	800	96.00	896.00	30000	12000	1440	13440
100	40	3000	1200	100	40	4.80	44.80	3000	1200	144.00	1344.00	40000	16000	1920	17920
200	80	4000	1600	200	80	9.60	89.60	4000	1600	192.00	1792.00	50000	20000	2400	22400
10	4	45000	18000	100000	40000	14800	44800	170000	68000	8160	76160	450000	180000	21600	201600
100	40	50000	20000	105000	42000	5040	47040	180000	72000	8640	80640	500000	200000	24000	224000
1000	400	55000	22000	110000	44000	5280	49280	190000	76000	9120	85120	550000	220000	26400	246400
5000	2000	60000	24000	115000	46000	5520	51520	200000	80000	9600	89600	600000	240000	28800	268800
10000	4000	65000	26000	120000	48000	5760	53760	210000	84000	10080	94080	650000	260000	31200	291200
15000	6000	70000	28000	125000	50000	6000	56000	220000	88000	10560	98560	700000	280000	33600	313600
20000	8000	75000	30000	130000	52000	6240	58240	230000	92000	11040	103040	750000	300000	36000	336000
25000	10000	80000	32000	135000	54000	6480	60480	240000	96000	11520	107520	800000	320000	38400	358400
30000	12000	85000	34000	140000	56000	6720	62720	250000	100000	12000	112000	850000	340000	40800	380800
35000	14000	90000	36000	145000	58000	6960	64960	300000	120000	14400	134400	900000	360000	43200	403200
40000	16000	95000	38000	150000	60000	7200	67200	350000	140000	16800	156800	950000	380000	45600	425600
45000	18000	100000	40000	160000	64000	7680	71680	400000	160000	19200	179200	1000000	400000	48000	448000

1. Surcharge at the rate of 12% on income-tax is payable where the total (taxable) income exceeds Rs. 1,00,000. In such cases surcharge is payable on the whole amount of income-tax as no marginal relief is provided in the Finance Act, 1994. If the total (taxable) income does not exceed Rs. 1,00,000, surcharge on income-tax is not payable.

2. Self-assessment tax shall also include interest payable u/s. 234A, 234B & 234C, if any. For details, refer page 153.

3. Where the total (taxable) income of the firm includes long-term (and not short-term) capital gains, the income-tax on total (taxable) income, as reduced by long-term capital gains, is to be computed with reference to the above table i.e. @ 40%, income-tax on long-term capital gains is to be computed at the flat rate of 30% [vide section 112(1)]. The income-tax payable by the firm, is the sum total of the income-tax on total (taxable) income [as reduced by the long-term capital gains], and the income-tax on long-term capital gains. However, if the total (taxable) income inclusive of long-term capital gains exceeds Rs. 1,00,000, the aggregate of income-tax is to be increased by surcharge on income-tax @ 12%.

4. For the purposes of "advance tax" payable during the financial year ending on 31-3-1995 (assessment year 1995-96), refer table on page 220.

EXAMPLES FOR FIRM FOR ASSESSMENT YEAR 1994-95:

(1) M/s. X & Co. is a trading firm consisting of partners Mr. A & Mr. B sharing profits/losses equally. As per partnership deed, partner Mr. A is entitled to Rs. 18,000 as simple interest @ 18% p.a. on capital, and working partner Mr. B (who is actively engaged in conducting the affairs of the business of the firm) is entitled to Rs. 42,000 as remuneration. These payments are within the limits specified u/s. 40(b)(iv) & 40(b)(v)³. The net profit of the firm⁶ (after debiting interest and remuneration to partners) for the financial year ending 31-3-1994 is Rs. 10,000.

(A) INCOME-TAX PAYABLE BY THE FIRM—

Net profit ⁶ (after debiting interest & remuneration to partners)	Rs.	10,000
Add: Interest and remuneration paid to partners (Rs. 18,000 + Rs. 42,000)	Rs.	60,000
	Rs.	70,000
Less: Interest and remuneration paid to partners allowable u/s. 40(b)(iv)/40(b)(v) ³	Rs.	60,000
Taxable income of the firm	Rs.	10,000
Income-tax payable by the firm @ 40% on taxable income of Rs. 10,000 (Refer table on page 218)	Rs.	4,000

(B) INCOME-TAX PAYABLE BY THE PARTNERS—

	Mr. A	Mr. B
Business income:		
Share in total income of the firm [Excludible u/s. 10(2A)]	Rs. Nil	Rs. Nil
Interest/remuneration received from the firm chargeable as business income u/s. 28(v)	Rs. 18,000	Rs. 42,000
Other sources:		
Interest income on deposits with companies	Rs. 30,000	Rs. 10,000
Gross total income	Rs. 48,000	Rs. 52,000
Less: Deduction u/s. 80D: @ 100% of medical insurance premia paid Rs. 5,000	Rs. 5,000	Rs. 5,000
Taxable income	Rs. 43,000	Rs. 47,000
Income-tax payable on taxable income of Rs. 43,000/Rs. 47,000 (Refer page 211)	Rs. 2,600 ⁷	Rs. 3,400 ⁷
Aggregate of income-tax payable by the firm & partners (Rs. 4,000 + Rs. 2,600 ⁷ + Rs. 3,400 ⁷)	Rs.	10,000

(2) In the example (1) above if, partner Mr. A is entitled to Rs. 21,000 as simple interest @ 21% on capital, working partner Mr. B is entitled to Rs. 1,08,000 as remuneration and net profit⁶ after debiting the said interest/remuneration is Rs. 10,000, then, the tax payable by the said firm & partners will be as under:

(A) INCOME-TAX PAYABLE BY THE FIRM—

Net profit ⁶ (after debiting interest & remuneration to partners)	Rs.	10,000
Add: Interest and remuneration paid to partners (Rs. 21,000 + Rs. 1,08,000)	Rs.	1,29,000
	Rs.	1,39,000
Less: Interest paid to Mr. A Rs. 21,000. Allowable @ 18% p.a. u/s. 40(b)(iv)	Rs.	18,000
Book-profit ⁸ for the purpose of section 40(b)(v) [Vide Explanation 3 to section 40(b)]	Rs.	1,21,000
Less: Remuneration paid to Mr. B Rs. 1,08,000. Allowable u/s. 40(b)(v)(2):		
On first Rs. 75,000 of the book-profit @ 90%	Rs. 67,500	
On the balance Rs. 46,000 [Rs. 1,21,000 less Rs. 75,000] of the book-profit @ 60%	Rs. 27,600	Rs. 95,100
Taxable income of the firm	Rs.	25,900
Income-tax payable by the firm @ 40% on taxable income Rs. 25,900 (Refer table on page 218)	Rs.	10,360

[Continued on page 220]

Note: Payments of interest and/or remuneration to partners shall be allowed as deduction u/s. 40(b) subject to the condition that the said payments are authorised by the deed of partnership. Partnership deed will have to be suitably modified wherever remuneration/interest payments are involved. For details, refer Paras 6 to 8 & 11 on page 163-164.

5. As the payments in respect of interest & remuneration to partners is authorised by the partnership deed and are within the limits specified u/s. 40(b), the said payments are allowable as deduction in computing taxable income of the firm. If it exceeds the limit specified u/s. 40(b), it will be restricted u/s. 40(b) as explained in example (2) above.

6. It is assumed that, net profit is computed in the manner laid down in Chapter IV-D [i.e. sections 28 to 44D].

7. Tax payable by the partners is to be reduced to the extent of rebate of (deduction from) income-tax allowable u/s. 88.

8. 'Book-profit' means the net profit as per profit & loss A/c computed u/s. 28 to 44D. The remuneration paid/payable to partners, if debited to P&L A/c, is to be added back to the net profit [Explanation 3 to section 40(b)].

(B) INCOME-TAX PAYABLE BY PARTNERS —

Business income:

Share in total income of the firm [Excludible u/s. 10(2A)]

Interest/remuneration allowed to firm chargeable as business income

u/s. 28(v) read with the proviso

Other sources:

Interest income on deposits with companies

Gross total income

Less: Deduction u/s. 80D as stated in example (1)

Taxable income

I.T./I.T. & S.C. payable on taxable income of Rs. 43,000/Rs. 1,00,100 (Refer page 211 & 214)

Aggregate of tax payable by the firm & partners (Rs. 10,360 + Rs. 2,600^{8a} + Rs. 21,325^{8a})

Mr. A

Mr. B

Rs.	Nil	Rs.	Nil
Rs.	18,000	Rs.	95,100
Rs.	30,000	Rs.	10,000
Rs.	48,000	Rs.	1,05,100
Rs.	5,000	Rs.	5,000
Rs.	43,000	Rs.	1,00,100
Rs.	2,600 ^{8a}	Rs.	21,325 ^{8a}
		Rs.	34,285

TABLE VII
INCOME-TAX FOR FIRMS ONLY
ASSESSMENT YEAR 1995-96⁹

Accounting period: Financial year ending 31-3-1995.

The table given hereunder may be referred for the purposes of:

"ADVANCE TAX" payable during the financial year ending on 31-3-1995.

FLAT RATE: INCOME-TAX @ 40%.

Taxable income ¹⁰ Rs.	I.T. Rs.	Taxable income ¹⁰ Rs.	I.T. Rs.	Taxable income ¹⁰ Rs.	I.T. Rs.	Taxable income ¹⁰ Rs.	I.T. Rs.	Taxable income ¹⁰ Rs.	I.T. Rs.	Taxable income ¹⁰ Rs.	I.T. Rs.	Taxable income ¹⁰ Rs.	I.T. Rs.	Taxable income ¹⁰ Rs.	I.T. Rs.
10	4	50	20	90	36	400	160	800	320	3000	1200	7000	2800	20000	8000
20	8	60	24	100	40	500	200	900	360	4000	1600	8000	3200	30000	12000
30	12	70	28	200	80	600	240	1000	400	5000	2000	9000	3600	40000	16000
40	16	80	32	300	120	700	280	2000	800	6000	2400	10000	4000	50000	20000
10	4	30000	12000	70000	28000	110000	44000	150000	60000	190000	76000	250000	100000	650000	260000
100	40	35000	14000	75000	30000	115000	46000	155000	62000	195000	78000	300000	120000	700000	280000
1000	400	40000	16000	80000	32000	120000	48000	160000	64000	200000	80000	350000	140000	750000	300000
5000	2000	45000	18000	85000	34000	125000	50000	165000	66000	205000	82000	400000	160000	800000	320000
10000	4000	50000	20000	90000	36000	130000	52000	170000	68000	210000	84000	450000	180000	850000	340000
15000	6000	55000	22000	95000	38000	135000	54000	175000	70000	220000	88000	500000	200000	900000	360000
20000	8000	60000	24000	100000	40000	140000	56000	180000	72000	230000	92000	550000	220000	950000	380000
25000	10000	65000	26000	105000	42000	145000	58000	185000	74000	240000	96000	600000	240000	1000000	400000

8a. Refer footnote No. 7 on page 219.

9. The relevant table for assessment year 1994-95 is given on page 218.

10. Where the total (taxable) income of the firm includes long-term (and not short-term) capital gains, the income-tax on total (taxable) income, as reduced by long-term capital gains, is to be computed with reference to the above table i.e. @ 40%. Income-tax on long-term capital gains is to be computed at the flat rate of 30% [vide section 112(1)]. The income-tax payable by the firm, is the sum total of the income-tax on total (taxable) income (as reduced by the long-term capital gains), and the income-tax on long-term capital gains.

CO-OPERATIVE SOCIETIES'

DEDUCTION IN RESPECT OF INCOME OF CO-OPERATIVE SOCIETIES UNDER SECTION 80P(2):

(a) in the case of a co-operative society engaged in—
 (i) carrying on the business of banking or providing credit facilities to its members, or
 (ii) a cottage industry, or
 (iii) the marketing of the agricultural produce of its members, or
 (iv) the purchase of agricultural implements, seeds, live-stock or other articles intended for agriculture for the purpose of supplying them to its members, or
 (v) the processing, without the aid of power, of the agricultural produce of its members, or
 (vi) the collective disposal of the labour of its members, or
 (vii) fishing or allied activities, that is to say, the catching, curing, processing, preserving, storing or marketing of fish or the purchase of materials and equipment in connection therewith for the purpose of supplying them to its members, the whole of the amount of profits and gains of business attributable to any one or more of such activities:

Provided that in the case of a co-operative society falling under sub-clause (vi), or sub-clause (vii), the rules and bye-laws of the society restrict the voting rights to the following classes of its members, namely:—

- (1) the individuals who contribute their labour or, as the case may be, carry on the fishing or allied activities;
- (2) the co-operative credit societies which provide financial assistance to the society;
- (3) the State Government;

(b) in the case of a co-operative society, being a primary society engaged in supplying milk, oilseeds, fruits or vegetables raised or grown by its members to—

- (i) a federal co-operative society, being a society engaged in the business of supplying milk, oilseeds, fruits or vegetables, as the case may be; or
- (ii) the Government or a local authority; or
- (iii) a Government company as defined in section 617 of the Companies Act, 1956, or a corporation established by or under a Central, State or Provincial Act (being a company or corporation engaged in supplying milk, oilseeds, fruits or vegetables, as the case may be, to the public),

the whole of the amount of profits and gains of such business;

(c) in the case of a co-operative society engaged in activities other than those specified in clause (a) or clause (b) (either independently of, or in addition to, all or any of the activities so specified), so much of its profits and gains attributable to such activities as does not exceed,—

- (i) where such co-operative society is a consumers' co-operative society, forty thousand rupees; and
- (ii) in any other case, twenty thousand rupees.

Explanation.—In this clause, "consumers' co-operative society" means a society for the benefit of the consumers;

(d) in respect of any income by way of interest or dividends derived by the co-operative society from its investments with any other co-operative society, the whole of such income;

(e) in respect of any income derived by the co-operative society from the letting of godowns or warehouses for storage, processing or facilitating the marketing of commodities, the whole of such income;

(f) in the case of a co-operative society, not being a housing society or an urban consumers' society or a society carrying on transport business or a society engaged in the performance of any manufacturing operations with the aid of power, where the gross total income does not exceed twenty thousand rupees, the amount of any income by way of interest on securities or any income from house property chargeable under section 22.

Explanation.—For the purposes of this section, an "urban consumers' co-operative society" means a society for the benefit of the consumers within the limits of a municipal corporation, municipality, municipal committee, notified area committee, town area or cantonment.

EXAMPLE: The total income of a co-op. society (other than consumers' co-op. society) for the financial year under various heads is as under:

(i) Banking business	Rs. 5,000
(ii) Income from cottage industry	Rs. 15,000
(iii) Marketing of agricultural produce of its members	Rs. 10,000
(iv) Income from purchase & sale of agricultural implements to its members	Rs. 10,000
(v) Profits & gains of business	Rs. 25,000
(vi) Interest from other co-operative society	Rs. 10,000
Gross total income	Rs. 75,000

Less:—Deductions under section 80P:

(i) Banking business: 80P(2)(a) (i)	Rs. 5,000
(ii) Income from cottage industry: 80P(2) (a) (ii)	Rs. 15,000
(iii) Marketing of agricultural produce of its members: 80P(2) (a) (iii)	Rs. 10,000
(iv) Income from purchase and sale of agricultural implements to its members: 80P(2) (a) (iv)	Rs. 10,000
(v) Profits & gains of business: 80P(2) (c) (ii)	Rs. 20,000
(vi) Interest from other co-operative society: 80P(2) (d)	Rs. 10,000
	Rs. 70,000
Taxable income	Rs. 5,000

INCOME-TAX & SURCHARGE FOR CO-OPERATIVE SOCIETIES

ASSESSMENT YEARS 1994-95² & 1995-96³

INCOME BETWEEN Rs. 10 & Rs. 10,000 SLAB RATE: I.T. @ 10%				INCOME BETWEEN Rs. 10,000 & Rs. 20,000 SLAB RATE: I.T. @ 20%				INCOME BETWEEN Rs. 20,000 & Rs. 1,00,000 SLAB RATE: I.T. @ 35%				INCOME ABOVE Rs. 1,00,000 SLAB RATE: SURCHARGE @ 12% OF INCOME-TAX I.T. @ 35%							
Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs. P.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. ² Rs. P.	S.C. ³ Rs. P.	Total ³ Rs. P.	Taxable Income Rs.	I.T. ² Rs.	S.C. ³ Rs. P.	Total ³ Rs. P.				
												400	140	16.80	156.80				
10	1	10	2	10	3.50	400	140	10	3.50	0.42	3.92	500	175	21.00	196.00				
20	2	20	4	20	7.00	500	175	20	7.00	0.84	7.84	600	210	25.20	235.20				
30	3	30	6	30	10.50	600	210	30	10.50	1.26	11.76	700	245	29.40	274.40				
40	4	40	8	40	14.00	700	245	40	14.00	1.68	15.68	800	280	33.60	313.60				
50	5	50	10	50	17.50	800	280	50	17.50	2.10	19.60	900	315	37.80	352.80				
60	6	60	12	60	21.00	900	315	60	21.00	2.52	23.52	1000	350	42.00	392.00				
70	7	70	14	70	24.50	1000	350	70	24.50	2.94	27.44	1500	525	63.00	588.00				
80	8	80	16	80	28.00	1500	525	80	28.00	3.36	31.36	2000	700	84.00	784.00				
90	9	90	18	90	31.50	2000	700	90	31.50	3.78	35.28	2500	875	105.00	980.00				
100	10	100	20	100	35.00	2500	875	100	35.00	4.20	39.20	3000	1050	126.00	1176.00				
200	20	200	40	200	70.00	3000	1050	200	70.00	8.40	78.40	4000	1400	168.00	1568.00				
300	30	300	60	300	105.00	4000	1400	300	105.00	12.60	117.60	5000	1750	210.00	1960.00				
400	40	400	80	400	140.00	5000	1750	400	140.00	16.80	156.80								
500	50	10000	1000	20000	3000	41000	10350	100000	31000	3720	34720	200000	66000	7920	73920				
1000	100	10500	1100	21000	3350	42000	10700	105000	32750	3930	36680	205000	67750	8130	75880				
1500	150	11000	1200	22000	3700	43000	11050	110000	34500	4140	38640	210000	69500	8340	77840				
2000	200	11500	1300	23000	4050	44000	11400	115000	36250	4350	40600	215000	71250	8550	79800				
2500	250	12000	1400	24000	4400	45000	11750	120000	38000	4560	42560	220000	73000	8760	81760				
3000	300	12500	1500	25000	4750	46000	12100	125000	39750	4770	44520	225000	74750	8970	83720				
3500	350	13000	1600	26000	5100	47000	12450	130000	41500	4980	46480	230000	76500	9180	85680				
4000	400	13500	1700	27000	5450	48000	12800	135000	43250	5190	48440	235000	78250	9390	87640				
4500	450	14000	1800	28000	5800	49000	13150	140000	45000	5400	50400	240000	80000	9600	89600				
5000	500	14500	1900	29000	6150	50000	13500	145000	46750	5610	52360	245000	81750	9810	91560				
5500	550	15000	2000	30000	6500	51000	13850	150000	48500	5820	54320	250000	83500	10020	93520				
6000	600	15500	2100	31000	6850	55000	15250	155000	50250	6030	56280	255000	85250	10230	95480				
6500	650	16000	2200	32000	7200	60000	17000	160000	52000	6240	58240	260000	87000	10440	97440				
7000	700	16500	2300	33000	7550	65000	18750	165000	53750	6450	60200	265000	88750	10650	99400				
7500	750	17000	2400	34000	7900	70000	20500	170000	55500	6660	62160	270000	90500	10860	101360				
8000	800	17500	2500	35000	8250	75000	22250	175000	57250	6870	64120	275000	92250	11070	103320				
8500	850	18000	2600	36000	8600	80000	24000	180000	59000	7080	66080	280000	94000	11280	105280				
9000	900	18500	2700	37000	8950	85000	25750	185000	60750	7290	68040	285000	95750	11490	107240				
9500	950	19000	2800	38000	9300	90000	27500	190000	62500	7500	70000	290000	97500	11700	109200				
9700	970	19500	2900	39000	9650	95000	29250	195000	64250	7710	71960	295000	99250	11910	111160				
10000	1000	20000	3000	40000	10000	100000	31000	200000	66000	7920	73920	300000	101000	12120	113120				

2. For assessment year 1994-95, surcharge at the rate of 12% on income-tax is payable where the taxable income exceeds Rs. 1,00,000. In such cases, surcharge is payable on the whole amount of income-tax as no marginal relief is provided in the Finance Act, 1934. However, if the taxable income does not exceed Rs. 1,00,000, surcharge on income-tax is not payable.

3. While computing advance tax payable during the financial year 1994-95, where the taxable income exceeds Rs. 1,00,000, please compute the advance tax payable with reference to column Nos. 10 & 14 in relation to taxable income referred to in column Nos. 9 & 13. Surcharge on I.T. is not payable.

Note: Where the taxable income consists of long-term (and not short-term) capital gains, the income-tax on the taxable income, as reduced by long-term capital gains, is to be computed with reference to the above table. Income-tax on long-term capital gains is to be calculated @ the flat rate of 30% [vide section 112(1)(c)]. The income-tax payable is, the sum total of the income-tax on taxable income (as reduced by long-term capital gains) and income-tax on long-term capital gains. If, for assessment year 1994-95, the taxable income inclusive of long-term capital gains exceeds Rs. 1,00,000, the aggregate of income-tax is to be increased by the surcharge on income-tax @ 12%.

INCOME-TAX & SURCHARGE² FOR PRIVATE AND PUBLIC LIMITED COMPANIES

ASSESSMENT YEAR 1994-95¹

Taxable Income ⁴ Rs.	DOMESTIC COMPANY				FOREIGN COMPANY	
	Where the public are substantially interested		Where the public are not substantially interested		Royalties and fees ³	On the balance, if any, of the total income
	I.T. @ 45%	S.C. @ 15% of I.T. ²	I.T. @ 50%	S.C. @ 15% of I.T. ²	I.T. ² @ 50%	I.T. ² @ 65%
	Rs. P.	Rs. P.	Rs. P.	Rs. P.	Rs.	Rs. P.
10	4.50	0.68	5	0.75	5	6.50
20	9.00	1.35	10	1.50	10	13.00
30	13.50	2.03	15	2.25	15	19.50
40	18.00	2.70	20	3.00	20	26.00
50	22.50	3.38	25	3.75	25	32.50
60	27.00	4.05	30	4.50	30	39.00
70	31.50	4.73	35	5.25	35	45.50
80	36.00	5.40	40	6.00	40	52.00
90	40.50	6.08	45	6.75	45	58.50
100	45	6.75	50	7.50	50	65
200	90	13.50	100	15.00	100	130
300	135	20.25	150	22.50	150	195
400	180	27.00	200	30.00	200	260
500	225	33.75	250	37.50	250	325
600	270	40.50	300	45.00	300	390
700	315	47.25	350	52.50	350	455
800	360	54.00	400	60.00	400	520
900	405	60.75	450	67.50	450	585
1,000	450	67.50	500	75	500	650
2,000	900	135.00	1,000	150	1,000	1,300
3,000	1,350	202.50	1,500	225	1,500	1,950
4,000	1,800	270.00	2,000	300	2,000	2,600
5,000	2,250	337.50	2,500	375	2,500	3,250
6,000	2,700	405.00	3,000	450	3,000	3,900
7,000	3,150	472.50	3,500	525	3,500	4,550
8,000	3,600	540.00	4,000	600	4,000	5,200
9,000	4,050	607.50	4,500	675	4,500	5,850
10,000	4,500	675	5,000	750	5,000	6,500
20,000	9,000	1,350	10,000	1,500	10,000	13,000
30,000	13,500	2,025	15,000	2,250	15,000	19,500
40,000	18,000	2,700	20,000	3,000	20,000	26,000
50,000	22,500	3,375	25,000	3,750	25,000	32,500
60,000	27,000	4,050	30,000	4,500	30,000	39,000
70,000	31,500	4,725	35,000	5,250	35,000	45,500
80,000	36,000	5,400	40,000	6,000	40,000	52,000
90,000	40,500	6,075	45,000	6,750	45,000	58,500
1,00,000	45,000	6,750	50,000	7,500	50,000	65,000
2,00,000	90,000	13,500	1,00,000	15,000	1,00,000	1,30,000
3,00,000	1,35,000	20,250	1,50,000	22,500	1,50,000	1,95,000
4,00,000	1,80,000	27,000	2,00,000	30,000	2,00,000	2,60,000
5,00,000	2,25,000	33,750	2,50,000	37,500	2,50,000	3,25,000
6,00,000	2,70,000	40,500	3,00,000	45,000	3,00,000	3,90,000
7,00,000	3,15,000	47,250	3,50,000	52,500	3,50,000	4,55,000
8,00,000	3,60,000	54,000	4,00,000	60,000	4,00,000	5,20,000
9,00,000	4,05,000	60,750	4,50,000	67,500	4,50,000	5,85,000
10,00,000	4,50,000	67,500	5,00,000	75,000	5,00,000	6,50,000
20,00,000	9,00,000	1,35,000	10,00,000	1,50,000	10,00,000	13,00,000
30,00,000	13,50,000	2,02,500	15,00,000	2,25,000	15,00,000	19,50,000
40,00,000	18,00,000	2,70,000	20,00,000	3,00,000	20,00,000	26,00,000
50,00,000	22,50,000	3,37,500	25,00,000	3,75,000	25,00,000	32,50,000
60,00,000	27,00,000	4,05,000	30,00,000	4,50,000	30,00,000	39,00,000
70,00,000	31,50,000	4,72,500	35,00,000	5,25,000	35,00,000	45,50,000
80,00,000	36,00,000	5,40,000	40,00,000	6,00,000	40,00,000	52,00,000
90,00,000	40,50,000	6,07,500	45,00,000	6,75,000	45,00,000	58,50,000
1,00,00,000	45,00,000	6,75,000	50,00,000	7,50,000	50,00,000	65,00,000

1. For purposes of "advance tax" payable during financial year ending on 31-3-1995 (assessment year 1995-96), refer table on page 227.

2. Surcharge at the rate of 15% on income-tax is payable, for assessment year 1994-95, in cases where the total (taxable) income of the "Domestic company" exceeds Rs. 75,000. In such cases, surcharge is payable on the whole amount of income-tax as there is no provision for marginal relief in the Finance Act, 1994. However, if the total (taxable) income does not exceed Rs. 75,000, surcharge on income-tax is not payable. Surcharge on income-tax is not payable by a foreign company.

3. Refer foot note No. 5 on page 224.

4. Refer foot note No. 6 on page 224. Mumukshu Bhawan Varanasi Collection. Digitized by eGangotri

COMPUTATION OF INCOME-TAX AND SURCHARGE IN THE CASES OF:

- (a) a domestic company in which the public are not substantially interested (closely-held company),
(b) a domestic company in which the public are substantially interested (widely-held company).
(a) Domestic company in which the public are not substantially interested (closely-held company):

ASSESSMENT YEAR

	1994-95	1995-96
	Rate of I.T. S.C. ⁷	Rate of I.T. S.C. ⁷
On the whole of the total income [as reduced by long-term capital gains]	50% 15% of I.T.	40% 15% of I.T.

ASSESSMENT YEAR

	1994-95	1995-96
EXAMPLE: (1) The total income as reduced by long-term capital gains of a domestic company in which the public are not substantially interested is. ..	Rs. 40,000	Rs. 40,000
Income-tax @ 50% on total (taxable) income of Rs. 40,000	Rs. 20,000 ⁷	—
Income-tax @ 40% on total (taxable) income of Rs. 40,000	Rs. —	Rs. 16,000 ⁷
EXAMPLE: (2) The total income as reduced by long-term capital gains of a domestic company in which the public are not substantially interested is. ..	Rs. 10,00,000	Rs. 10,00,000
Income-tax @ 50% on total (taxable) income of Rs. 10,00,000	Rs. 5,00,000	—
Surcharge @ 15% on income-tax of Rs. 5,00,000	Rs. 75,000	—
Income-tax @ 40% on total (taxable) income of Rs. 10,00,000	—	Rs. 4,00,000
Surcharge @ 15% on income-tax of Rs. 4,00,000	—	Rs. 60,000
Total tax	Rs. 5,75,000	Rs. 4,60,000

ASSESSMENT YEAR 1994-95:

EXAMPLE: (3) The total income of a company in which the public are not substantially interested (closely-held company) for the financial year ending on 31-3-1994 (assessment year 1994-95) is:

(a) COMPUTATION OF TOTAL (TAXABLE) INCOME:

1. Income from business	Rs. 1,20,000	Rs. 14,60,000
2. Dividend income from domestic company	Rs. 20,000	Rs. 1,00,000
Less: Interest on borrowings for investment in shares of such company and collection charges	Rs. 3,35,200	
3. Long-term capital gains on transfer of capital assets: Sale proceeds [received on 10-12-1993]	Rs. 80,000	
Less: Cost of acquisition [acquired on 10-1-1982]		

Indexed cost of acquisition [vide 2nd proviso to section 48]:
Rs. 80,000 (cost of acquisition) × 244⁸ (Cost Inflation Index of the financial year of sale i.e., 1993-94) ÷ 100⁸ (Cost Inflation Index of the financial year of acquisition i.e., 1981-82) ..

Gross total income carried over

Rs. 1,95,200	Rs. 1,40,000
Rs. 17,00,000	

5. Royalties & fees for technical services received in pursuance of an agreement made after 31st day of March, 1961/29th day of February, 1964, respectively, but before 1st day of April, 1976, as approved by the Central Government.

Royalties or fees for technical services received by a foreign company from an Indian concern in pursuance of an agreement made by it with the Indian concern after 31st March, 1976 and approved by the Central Government or w.e.f. 1-6-1992, where it relates to a matter included in the industrial policy, the agreement is in accordance with the policy, is chargeable to tax under section 115A at the following rates:

On the income by way of royalty (including income by way of lump sum consideration) or fees for technical services, at a uniform rate of 30 per cent. of such income.

The inter-corporate dividends received by foreign company is liable to income-tax at a flat rate of 25% (20%, for assessment year 1995-96) under section 115A of the Act. The deduction under section 80M is not allowable to foreign companies.

Income in respect of units, purchased in foreign currency by a foreign company, of a Mutual Fund specified u/s.10(23D) [or of the Unit Trust of India, from assessment year 1995-96], is liable to income-tax at a flat rate of 25% (20%, for assessment year 1995-96) under section 115A of the Act.

6. Where the total (taxable) income of the company consists of long-term (and not short-term) capital gains, the income-tax on the taxable income, as reduced by long-term capital gains, is to be computed with reference to the table given on page 223/227. Income-tax on long-term capital gains is to be calculated @ the flat rate of 40% [30%, in the case of a domestic company/20%, in the case of a foreign company, for assessment year 1995-96] [vide section 112(1)]. The income-tax payable by the company is, the sum total of income-tax on total (taxable) income (as reduced by long-term capital gains) and income-tax on long-term capital gains. In the case of a domestic company, if the total (taxable) income inclusive of long-term capital gains exceeds Rs. 75,000, the aggregate of income-tax is to be increased by a surcharge on income-tax @ 15%.

7. Surcharge at the rate of 15% on income-tax for the assessment years 1994-95 and 1995-96 is payable only in cases where the total (taxable) income of the "Domestic company" exceeds Rs. 75,000. In such cases, surcharge is payable, on the whole amount of I.T. as there is no provision for marginal relief in the Finance Act, 1994. However, if total (taxable) income does not exceed Rs. 75,000, surcharge on I.T. is not payable. Surcharge on I.T. is not payable by the "Foreign company."

8. For notification on Cost Inflation Index, refer page 122.

Gross total income brought over	Rs. 17,00,000
Less: Deduction under Chapter VI-A on the gross total income as reduced by long-term capital gains:	
Deduction under section 80M read with section 80AA (Refer page 186 & 201):	
Rs. 1,00,000 ⁹ (Rs. 1,20,000 less Rs. 20,000)	Rs. 1,00,000
Total (taxable) income inclusive of long-term capital gains (A)	Rs. 16,00,000
Less: Long-term capital gains (B)	Rs. 1,40,000
Total (taxable) income as reduced by the long-term capital gains (C)	Rs. 14,60,000

(b) COMPUTATION OF TAX:

Income-tax @ 50% on Rs. 14,60,000 [Total (taxable) income as reduced by the long-term capital gains. Refer (C)]	Rs. 7,30,000
Add: Income-tax @ 40% on Rs. 1,40,000 long-term capital gains [Refer (B)]	Rs. 56,000
	Rs. 7,86,000
Add: Surcharge @ 15% on income-tax of Rs. 7,86,000	Rs. 1,17,900
Income-tax and S.C. on I.T. payable on total (taxable) income of Rs. 16,00,000 [Refer (A)]	Rs. 9,03,900

Note: From assessment year 1993-94 and onwards, long-term capital gains will be chargeable to tax at the flat rate. For further details, refer item 7 on page 134.

(b) Domestic company in which the public are substantially interested (widely-held company):

ASSESSMENT YEAR

	1994-95	1995-96
	Rate of I.T. 45%	Rate of I.T. 40%
On the whole of the total income [as reduced by long-term capital gains]	15% of I.T.	15% of I.T.

ASSESSMENT YEAR

	1994-95	1995-96
EXAMPLE: (4) The total income as reduced by long-term capital gains of a domestic company in which the public are substantially interested is	Rs. 30,000	Rs. 30,000
Income-tax @ 45%/40% on total (taxable) income of Rs. 30,000	Rs. 13,500 ¹⁰	Rs. 12,000 ¹⁰
EXAMPLE: (5) The total income as reduced by the long-term capital gains of a domestic company in which the public are substantially interested is	Rs. 60,00,000	Rs. 60,00,000
Income-tax @ 45% on total (taxable) income of Rs. 60,00,000	Rs. 27,00,000	—
Surcharge @ 15% on income-tax of Rs. 27,00,000	Rs. 4,05,000	—
Income-tax @ 40% on total (taxable) income of Rs. 60,00,000	—	Rs. 24,00,000
Surcharge @ 15% on income-tax of Rs. 24,00,000	—	Rs. 3,60,000
Total tax	Rs. 31,05,000	Rs. 27,60,000

ASSESSMENT YEAR 1994-95:

EXAMPLE: (6) The total income of a domestic company in which the public are substantially interested (i.e., widely-held company) for the financial year ending on 31-3-1994 (assessment year 1994-95) is as under:

(a) COMPUTATION OF TOTAL (TAXABLE) INCOME:

1. Income from business	Rs. 15,30,000
2. Dividend from domestic company	Rs. 1,15,000
Less: Interest on borrowings for investment in shares of such company & collection charges	Rs. 15,000
3. Long-term capital gains on transfer of capital assets:	
Sale proceeds [received on 10-12-1993]	Rs. 4,65,200
Less: Cost of acquisition [acquired on 10-1-1985]	Rs. 1,00,000

Indexed cost of acquisition [vide 2nd proviso to section 48]:

Rs. 1,00,000 (cost of acquisition) × 244 ¹¹ (Cost Inflation Index of the financial year of sale i.e., 1993-94) ÷ 125 ¹¹ (Cost Inflation Index of the financial year of acquisition i.e., 1984-85)	Rs. 1,95,200	Rs. 2,70,000
---	--------------	--------------

Gross total income carried over Rs. 19,00,000

9. Since the recipient domestic company has distributed Rs. 2,00,000 by way of dividend on or before due date for furnishing the return of income, Rs. 1,00,000 being net dividend is deductible u/s. 80M [For further details, refer page 201].

10. Surcharge at the rate of 15% on income-tax for the assessment years 1994-95 and 1995-96 is payable only in cases where the total (taxable) income of the "Domestic company" exceeds Rs. 75,000. In such cases, surcharge is payable, on the whole amount of I.T. as there is no provision for marginal relief in the Finance Act, 1994. However, if the total (taxable) income does not exceed Rs. 75,000, surcharge on I.T. is not payable. Surcharge on I.T. is not payable by the "Foreign company".

11. For notification on Cost Inflation Index, refer page 122.

Gross total income brought over	Rs. 19,00,000
Less: Deduction under Chapter VI A on the gross total income as reduced by long-term capital gains:	
Deduction under section 80M read with section 80AA (Refer page 186 & 201):	
Rs. 1,00,000 ¹² (Rs. 1,15,000 less Rs. 15,000) .. .	Rs. 1,00,000
Total (taxable) income inclusive of long-term capital gains .. . (A)	Rs. 18,00,000
Less: Long-term capital gains .. . (B)	Rs. 2,70,000
Total (taxable) income as reduced by the long-term capital gains .. . (C)	Rs. 15,30,000

(b) COMPUTATION OF TAX:

Income-tax @ 45% on Rs. 15,30,000 [Total (taxable) income as reduced by the long-term capital gains. Refer (C)] .. .	Rs. 6,88,500
Add: Income-tax @ 40% on Rs. 2,70,000 long-term capital gains [Refer (B)] .. .	Rs. 1,08,000
	Rs. 7,96,500
Add: Surcharge @ 15% on income-tax of Rs. 7,96,500 .. .	Rs. 1,19,475
Income-tax and S.C. on I.T. payable on total (taxable) income of Rs. 18,00,000 [Refer (A)]	Rs. 9,15,975

Note: From assessment year 1993-94 and onwards, long-term capital gains will be chargeable to tax at the flat rate. For further details, refer item 7 on page 134.

WEALTH-TAX EXAMPLE FOR COMPANY
THE ABRIDGED BALANCE SHEET OF A & CO. LTD. AS AT 31-3-1994:

Liabilities & capital:

Assets & properties:

	Rs.		Book value Rs.	Value as per Schedule III Rs.
Share capital (paid-up)	7,50,000	Plant & Machinery .. .	1,50,000	*
Reserves & surplus	75,000	Factory building .. .	75,000	*
Secured loans (for purchase of plot of land) .. .	75,000	Plot of land (Purchased in Jan. 94)†† .. .	90,000	† 2,95,000
Sundry creditors for goods & expenses .. .	1,00,000	Motor Car†† .. .	25,000	†† 1,00,000
		Jewellery†† .. .	5,50,000	†† 12,00,000
		Sundry Debtors .. .	1,00,000	*
		Cash & Bank balances .. .	10,000	*
Total .. .	10,00,000	Total .. .	10,00,000	

Value as per Schedule III of specified assets liable to wealth-tax .. .	Rs. 15,95,000
Less: Secured loans for purchase of plot of land .. .	Rs. 75,000
Net wealth of the company .. .	Rs. 15,20,000
Wealth-tax on Rs. 15,00,000 net wealth .. .	Rs. Nil
Wealth-tax on the balance Rs. 20,000 net wealth @ flat rate of 1% .. .	Rs. 200
Wealth-tax payable for the assessment year 1994-95 .. .	Rs. **200

*These assets are not assets within the meaning of section 2(ca) and hence question of value as per Schedule III does not arise.
†Land is not proposed to be utilised for industrial purposes for a period of two years from the date of its acquisition.
‡Loan of Rs. 75,000 was incurred for the purchase of plot of land and deductible under section 2(m) of the Wealth-tax Act, 1957.
††These assets are not held as stock-in-trade in a business carried on by the company.
**Wealth-tax liability is not deductible as a debt u/s. 2(m) vide Circular No. 663, dt. 28-9-1993 [For gist of this circular, refer item 3 on page 317].

NOTES: (1) For assessment years 1993-94 and onwards, wealth-tax is chargeable only on assets specified in section 2(ca). For further details, refer sub-item (A) of item (7) on page 239.
(2) For assessment year 1993-94 and onwards, net wealth exceeding Rs. 15,00,000 is liable to wealth-tax @ flat rate of 1% of the amount by which the net wealth exceeds Rs. 15,00,000.

12. Since the recipient domestic company has distributed Rs. 2,00,000 by way of dividend on or before due date of furnishing the return of income, Rs. 1,00,000 being dividend is deductible u/s. 80M [For further details, refer page 201].

INCOME-TAX & SURCHARGE¹⁴ FOR PRIVATE AND PUBLIC LIMITED COMPANIES
ASSESSMENT YEAR 1995-96¹³

(For payment of "Advance tax" during the financial year ending on 31-3-1995)

Taxable Income ¹⁵ Rs.	DOMESTIC COMPANY			FOREIGN COMPANY	
	(Where the public are substantially interested or not i.e. Private & Public)			Royalties and fees ¹⁶	On the balance, if any, of the total income
	I.T. @ 40% Rs.	S.C. @ 15% of I.T. ¹⁴ Rs. P.	Total ¹⁴ Rs. P.	I.T. @ 50% ¹⁴ Rs.	I.T. @ 55% ¹⁴ Rs. P.
10	4	0.60	4.60	5	5.50
20	8	1.20	9.20	10	11.00
30	12	1.80	13.80	15	16.50
40	16	2.40	18.40	20	22.00
50	20	3.00	23.00	25	27.50
60	24	3.60	27.60	30	33.00
70	28	4.20	32.20	35	38.50
80	32	4.80	36.80	40	44.00
90	36	5.40	41.40	45	49.50
100	40	6	46	50	55
200	80	12	92	100	110
300	120	18	138	150	165
400	160	24	184	200	220
500	200	30	230	250	275
600	240	36	276	300	330
700	280	42	322	350	385
800	320	48	368	400	440
900	360	54	414	450	495
1,000	400	60	460	500	550
2,000	800	120	920	1,000	1,100
3,000	1,200	180	1,380	1,500	1,650
4,000	1,600	240	1,840	2,000	2,200
5,000	2,000	300	2,300	2,500	2,750
6,000	2,400	360	2,760	3,000	3,300
7,000	2,800	420	3,220	3,500	3,850
8,000	3,200	480	3,680	4,000	4,400
9,000	3,600	540	4,140	4,500	4,950
10,000	4,000	600	4,600	5,000	5,500
20,000	8,000	1,200	9,200	10,000	11,000
30,000	12,000	1,800	13,800	15,000	16,500
40,000	16,000	2,400	18,400	20,000	22,000
50,000	20,000	3,000	23,000	25,000	27,500
60,000	24,000	3,600	27,600	30,000	33,000
70,000	28,000	4,200	32,200	35,000	38,500
80,000	32,000	4,800	36,800	40,000	44,000
90,000	36,000	5,400	41,400	45,000	49,500
1,00,000	40,000	6,000	46,000	50,000	55,000
2,00,000	80,000	12,000	92,000	1,00,000	1,10,000
3,00,000	1,20,000	18,000	1,38,000	1,50,000	1,65,000
4,00,000	1,60,000	24,000	1,84,000	2,00,000	2,20,000
5,00,000	2,00,000	30,000	2,30,000	2,50,000	2,75,000
6,00,000	2,40,000	36,000	2,76,000	3,00,000	3,30,000
7,00,000	2,80,000	42,000	3,22,000	3,50,000	3,85,000
8,00,000	3,20,000	48,000	3,68,000	4,00,000	4,40,000
9,00,000	3,60,000	54,000	4,14,000	4,50,000	4,95,000
10,00,000	4,00,000	60,000	4,60,000	5,00,000	5,50,000
20,00,000	8,00,000	1,20,000	9,20,000	10,00,000	11,00,000
30,00,000	12,00,000	1,80,000	13,80,000	15,00,000	16,50,000
40,00,000	16,00,000	2,40,000	18,40,000	20,00,000	22,00,000
50,00,000	20,00,000	3,00,000	23,00,000	25,00,000	27,50,000
60,00,000	24,00,000	3,60,000	27,60,000	30,00,000	33,00,000
70,00,000	28,00,000	4,20,000	32,20,000	35,00,000	38,50,000
80,00,000	32,00,000	4,80,000	36,80,000	40,00,000	44,00,000
90,00,000	36,00,000	5,40,000	41,40,000	45,00,000	49,50,000
1,00,00,000	40,00,000	6,00,000	46,00,000	50,00,000	55,00,000

13. The table for the assessment year 1994-95 is given on page 223.

14. Surcharge at the rate of 15% on income-tax is payable, for assessment year 1995-96, in cases where the total (taxable) income of the "Domestic Company" exceeds Rs. 75,000. In such cases, surcharge is payable on the whole amount of income-tax as there is no provision for marginal relief in the Finance Act, 1994. However, if the total (taxable) income does not exceed Rs. 75,000, surcharge on income-tax is not payable. Surcharge on income-tax is not payable by a foreign company.

15. Refer footnote No. 6 on page 224.

16. Refer footnote No. 5 on page 224. Mumukshu Bhawan Varanasi Collection. Digitized by eGangotri

**WEALTH-TAX
CHARGE OF WEALTH-TAX**

(A) Assessment years 1993-94 & 1994-95:

Sub-section (2) of section 3 of the Wealth-tax Act provides that wealth-tax is to be charged in the case of an assessee being:

Rate of wealth-tax

- | | |
|--|---|
| (a) an individual or a Hindu undivided family: | |
| (1) where the net wealth does not exceed Rs. 15,00,000 | Nil; |
| (2) where the net wealth exceeds Rs. 15,00,000 | 1% of the amount by which the net wealth exceeds Rs. 15,00,000. |
| (b) a company: | |
| (1) where the net wealth does not exceed Rs. 15,00,000 | Nil; |
| (2) where the net wealth exceeds Rs. 15,00,000 | 1% of the amount by which the net wealth exceeds Rs. 15,00,000. |

(B) Upto assessment year 1992-93:

Sub-section (1) of section 3 of the Wealth-tax Act provides that wealth-tax is to be charged in respect of net wealth of every individual and Hindu undivided family at the rate or rates specified in Schedule I to the Wealth-tax Act. For the rates of wealth-tax applicable in relation to assessment years 1991-92 & 1992-93, refer the text of Schedule I on page 200 of I.T.R.R. 1992-93 [54th Year of Publication].

Sub-section (1) of section 40 of the Finance Act, 1983 provides that wealth-tax is to be charged in respect of net wealth of every company, not being a company in which the public are substantially interested, at the rate of 2% of such net wealth.

RULES FOR VALUATION OF ASSETS

SCHEDULE III

[See section 7(1)]

RULES FOR DETERMINING THE VALUE OF ASSETS

PART A: General

1. Value of assets how to be determined. The value of any asset, other than cash, for the purposes of this Act, shall be determined in the manner laid down in these rules.

2. Definitions. In this Schedule, unless the context otherwise requires,—

(1) "accounting year" in relation to a company means a period in respect of which any profit and loss account of the company laid before it in the annual general meeting is made up;

(2) "debenture" includes debenture stock, bonds and any other securities of a company, whether constituting a charge on the assets of the company or not;

(3) "equity share" means any share in the share capital of a company other than a preference share;

(4) "gold" means gold, including its alloy, whether virgin, melted, remelted, wrought or unwrought, in any shape or form of a purity of not less than nine carats and includes any gold coin (whether legal tender or not), any gold ornament and other article of gold;

(5) "gold ornament" means any article in a finished form, meant for personal adornment or for the adornment of any idol, deity or any other object of religious worship, made of, or manufactured from gold, whether or not set with stones or gems, real or artificial, or with pearls, real, cultured or imitation, or with all or any of them and includes parts, pendants or broken pieces of gold ornaments;

(6) "investment company" means a company whose gross total income consists mainly of income which is chargeable to income-tax under the heads "Income from house property", "Capital gains" and "Income from other sources".

Explanation.—In this clause, the expression "gross total income" shall have the meaning assigned to it in section 80B of the Income-tax Act;

(7) "jewellery" includes—

(a) ornaments made of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stones, and whether or not worked or sewn into any wearing apparel;

(b) precious or semi-precious stones, whether or not set in any furniture, utensils or other article or worked or sewn into any apparel;

(8) "preference share" has the meaning assigned to it in section 85 of the Companies Act, 1956;

(9) "quoted share" or "quoted debenture", in relation to an equity share or a preference share or, as the case may be, a debenture, means a share or debenture quoted on any recognised stock exchange with regularity from time to time, where the quotations of such shares or debentures are based on current transactions made in the ordinary course of business.

Explanation.—Where any question arises whether a share or debenture is a "quoted share" or a "quoted debenture" within the meaning of this clause, a certificate to that effect furnished by the concerned stock exchange in the prescribed form shall be accepted as conclusive;

(10) "recognised stock exchange" has the meaning assigned to it in clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956;

(11) "unquoted share" or "unquoted debenture", in relation to an equity share or a preference share or, as the case may be, a debenture, means a share or debenture which is not a quoted share or a quoted debenture.

PART B: Immovable Property

3. Valuation of immovable property. Subject to the provisions of rules 4, 5, 6, 7 and 8, for the purposes of sub-section (1) of section 7, the value of any immovable property, being a building or land appurtenant thereto, or part thereof, shall be the amount arrived at by multiplying the net maintainable rent by the figure 12.5:

Provided that in relation to any such property which is constructed on leasehold land, this rule shall have effect as if for the figure 12.5,—

(a) where the unexpired period of the lease of such land is fifty years or more, the figure 10.0 had been substituted; and

(b) where the unexpired period of the lease of such land is less than fifty years, the figure 8.0 had been substituted:

Provided further that where such property is acquired or construction of which is completed after the 31st day of March, 1974, if the value so arrived at is lower than the cost of acquisition or the cost of construction, as increased, in either case, by the cost of any improvement to the property, the cost of acquisition or, as the case may be, the cost of construction, as so increased, shall be taken to be the value of the property under this rule:

Provided also that the provisions of the second proviso shall not apply for determining the value of one house belonging to the assessee, where such house is acquired or the construction whereof is completed after the 31st day of March, 1974, and the house is exclusively used by the assessee for his own residential purposes throughout the period of twelve months immediately preceding the valuation date and the cost of acquisition or, as the case may be, the cost of construction, as increased, in either case, by the cost of any improvement to the house, does not exceed,—

(a) if the house is situate at Bombay, Calcutta, Delhi or Madras, fifty lakh rupees;

(b) if the house is situate at any other place, twenty-five lakh rupees:

Provided also that where more than one house belonging to the assessee is exclusively used by him for residential purposes, the provisions of the third proviso shall apply only in respect of one of such houses which the assessee may, at his option, specify in this behalf.

4. Net maintainable rent how to be computed. For the purposes of rule 3, "net maintainable rent" in relation to an immovable property referred to in that rule, shall be the amount of gross maintainable rent as reduced by,—

(i) the amount of taxes levied by any local authority in respect of the property; and

(ii) a sum equal to fifteen per cent. of the gross maintainable rent.

5. Gross maintainable rent how to be computed. For the purposes of rule 4, "gross maintainable rent", in relation to any immovable property referred to in rule 3, means—

(i) where the property is let, the amount received or receivable by the owner as annual rent or the annual value assessed by the local authority in whose area the property is situated for the purposes of levy of property tax or any other tax on the basis of such assessment, whichever is higher;

(ii) where the property is not let, the amount of annual rent assessed by the local authority in whose area the property is situated for the purpose of levy of property tax or any other tax on the basis of such assessment, or, if there is no such assessment or the property is situated outside the area of any local authority the amount which the owner can reasonably be expected to receive as annual rent had such property been let.

Explanation.—In this rule,—

(1) "annual rent" means,—

(a) where the property is let throughout the year ending on the valuation date (hereinafter referred to as "previous year"), the actual rent received or receivable by the owner in respect of such year;

(b) where the property is let for only a part of the previous year, the amount which bears the same proportion to the amount of actual rent received or receivable by the owner for the period for which the property is let as the period of twelve months bears to the number of months (including part of a month) during which the property is let during the previous year;

Provided that in the following cases, such actual rent under sub-clauses (a) and (b) shall be increased in the manner specified below:—

(i) where the property is in the occupation of a tenant and taxes levied by any local authority in respect of the property are borne wholly or partly by the tenant, by the amount of the taxes so borne by the tenant;

(ii) where the property is in the occupation of a tenant and expenditure on repairs in respect of the property is borne by the tenant, by one-ninth of the actual rent;

(iii) where the owner has accepted any amount as deposit (not being advance payment towards rent for a period of three months or less), by the amount calculated at the rate of 15 per cent. per annum on the amount of deposit outstanding

from month to month, for the number of months (excluding part of a month) during which such deposit was held by the owner in the previous year, and if the owner is liable to pay interest on such deposit, the increase to be made under this clause shall be limited to the sum by which the amount calculated as aforesaid exceeds the interest actually paid;

(iv) where the owner has received any amount by way of premium or otherwise as consideration for leasing of the property or any modification of the terms of the lease, by the amount obtained by dividing the premium or other amount by the number of years of the period of the lease;

(v) where the owner derives any benefit or perquisite, whether convertible into money or not, as consideration for leasing of the property or any modification of the terms of the lease, by the value of such benefit or perquisite;

(2) "rent received or receivable" shall include all payments for the use of the property, by whatever name called, the value of all benefits or perquisites whether convertible into money or not, obtained from a tenant or occupier of the property and any sum paid by a tenant or occupier of the property in respect of any obligation which, but for such payment, would have been payable by the owner.

6. Adjustments to value arrived at under rule 3, for unbuilt area of plot of land. Where the unbuilt area of the plot of land on which the property referred to in rule 3 is constructed exceeds the specified area, the value arrived at in accordance with the provisions of rule 3 shall be increased by an amount calculated in the following manner, namely:—

(a) where the difference between the unbuilt area and the specified area exceeds five per cent. but does not exceed ten per cent. of the aggregate area, by an amount equal to twenty per cent. of such value;

(b) where the difference between the unbuilt area and the specified area exceeds ten per cent. but does not exceed fifteen per cent. of the aggregate area by an amount equal to thirty per cent. of such value;

(c) where the difference between the unbuilt area and the specified area exceeds fifteen per cent. but does not exceed twenty per cent. of the aggregate area by an amount equal to forty per cent. of such value.

Explanation.—For the purposes of this rule and rule 6,—

(a) "aggregate area", in relation to the plot of land on which the property is constructed, means the aggregate of the area on which the property is constructed and the unbuilt area;

(b) "specified area", in relation to the plot of land on which the property is constructed, means—

(i) where the property is situate at Bombay, Calcutta, Delhi or Madras, sixty per cent. of the aggregate area;

(ii) where the property is situate at Agra, Ahmedabad, Allahabad, Amritsar, Bangalore, Bhopal, Cochin, Hyderabad, Indore, Jabalpur, Jamshedpur, Kanpur, Lucknow, Ludhiana, Madurai, Nagpur, Patna, Pune, Salem, Sholapur, Srinagar, Surat, Tiruchirappalli, Trivandrum, Vadodara (Baroda) or Varanasi (Banaras), sixty-five per cent. of the aggregate area; and

(iii) where the property is situate at any other place, seventy per cent. of the aggregate area;

Provided that where, under any law for the time being in force, the minimum area of the plot of land required to be kept as open space for the enjoyment of the property exceeds the specified area, such minimum area shall be deemed to be the specified area;

(c) "unbuilt area", in relation to the aggregate area of the plot of land on which the property is constructed, means that part of such aggregate area on which no building has been erected.

7. Adjustment for unearned increase in the value of the land. Where the property is constructed on land obtained on lease from the Government, a local authority or any authority referred to in clause (20A) of section 10 of the Income-tax Act, and the Government or any such authority is, under the terms of the lease, entitled to claim and recover a specified part of the unearned increase in the value of the land at the time of the transfer of the property, the value of such property as determined under rule 3 shall be reduced by the amount so liable to be claimed and recovered or by an amount equal to fifty per cent. of the value of the property as so determined, whichever is less, as if the property had been transferred on the valuation date.

Explanation.—For the purpose of this rule, "unearned increase" means the difference between the value of such land on the valuation date as determined by the Government or such authority for the purpose of calculating such increase and the amount of the premium paid or payable to the Government or such authority for the lease of the land.

8. Rule 3 not to apply in certain cases. Nothing contained in rule 3 shall apply,—

(a) where, having regard to the facts and circumstances of the case, the Assessing Officer, with the previous approval of the Deputy Commissioner, is of opinion that it is not practicable to apply the provisions of the said rule to such a case; or

(b) where the difference between the unbuilt area and the specified area exceeds twenty per cent. of the aggregate area; or

(c) where the property is constructed on leasehold land and the lease expires within a period not exceeding fifteen years from the relevant valuation date and the deed of lease does not give an option to the lessee for the renewal of the lease, and in any case referred to in clause (a) or clause (b) or clause (c), the value of the property shall be determined in the manner laid down in rule 20.

PART C: Shares in or debentures of companies

Part C of Schedule III (containing rules 9 to 13) are omitted w.e.f. 1-4-1993 by the Finance Act, 1992. For the text of Rules 9 to 13, refer pp. 202-204 of I.T.R.R. 1992-93 [54th Year of Publication].

PART D: Assets of business

14. Global valuation of assets of business. (1) Where the assessee is carrying on a business for which accounts are maintained by him regularly, the net value of the assets of the business as a whole, having regard to the balance sheet of such business on the valuation date after adjustments specified in sub-rule (2) shall be taken as the value of such assets for the purposes of this Act.

(2) For the purposes of sub-rule (1),—

(a) the value of any asset as disclosed in the balance-sheet shall be taken to be,—

(i) in the case of an asset on which depreciation is admissible, its written-down value;

(ii) in the case of an asset on which no depreciation is admissible, its book value;

(iii) in the case of closing stock, its value adopted for the purposes of assessment under the Income-tax Act for the previous year relevant to the corresponding assessment year;

(b) where the value of any of the assets referred to in clause (a), determined in accordance with the provisions of this Schedule as applicable to that particular asset or if there are no such provisions, determined in accordance with rule 20 exceeds the value arrived at in accordance with clause (a) by more than 20 per cent. then the higher value shall be taken to be the value of that asset;

(c) the value of an asset not disclosed in the balance-sheet, shall be taken to be the value determined in accordance with the provisions of this Schedule as applicable to that asset;

(d) the value of the following assets which are disclosed in the balance-sheet shall not be taken into account, namely:—

(i) any amount paid as advance tax under the Income-tax Act;

(ii) the debt due to the assessee according to the balance-sheet or part thereof which has been allowed as a deduction under clause (vii) of sub-section (1) of section 36 of the Income-tax Act, for the purposes of assessment for the previous year relevant to the corresponding assessment year under that Act;

(iii) the value of any asset in respect of which wealth-tax is not payable under this Act;

(iv) any amount shown in the balance-sheet including the debit balance in the profit and loss account or profit and loss appropriation account which does not represent the value of any asset;

(v) any asset shown in the balance-sheet not really pertaining to the business;

(e) the following amounts shown as liabilities in the balance-sheet shall not be taken into account, namely:—

(i) capital employed in the business other than that attributable to borrowed money;

(ii) reserves by whatever name called;

(iii) any provision made for meeting any future or contingent liability;

(iv) any liability shown in the balance-sheet not really pertaining to the business;

(v) any debt owed by the assessee to the extent to which it has been specifically utilised for acquiring an asset in respect of which wealth-tax is not payable under this Act;

Provided that where it is not possible to calculate the amount of debt so utilised, it shall be taken as the amount which bears the same proportion to the total of the debts owed by the assessee as the value of that asset bears to the total value of the assets of the business.

Explanation.—Provision for any purpose other than taxation shall be treated as a reserve.

PART E: Interest in firm or association of persons

15. Valuation of interest in firm or association of persons. The value of the interest of a person in a firm of which he is a partner or in an association of persons of which he is a member shall be determined in the manner provided in rule 16.

16. Computation of net wealth of the firm or association and its allocation amongst the partners or members. The net wealth of the firm or association of persons on the valuation date shall first be determined as if it were the assessee and, thereafter,—

(i) that portion of the net wealth of the firm or association as is equal to the amount of its capital shall be allocated among the partners or members in the proportion in which capital has been contributed by them;

(ii) the residue of the net wealth of the firm or association shall be allocated amongst the partners or members in accordance with the agreement of partnership or association for the distribution of assets in the event of dissolution of the firm or association or, in the absence of such agreement, in the proportion in which the partners or members are entitled to share the profits,

and the sum total of amounts so allocated to a partner or member under clause (i) and clause (ii) shall be treated as the value of the interest of that partner or member in the firm or association:

Provided that in determining the net wealth of the firm or association for the purpose of this rule, no account shall be taken of the exemptions in sub-sections (1) and (1A) of section 5.

Explanation.—For the purposes of this rule,—

(a) where the net wealth of the firm or association computed in accordance with this rule includes the value of any assets located outside India, the value of the interest of any partner or member in the assets located in India shall be determined having regard to the proportion which the value of assets located in India diminished by the debts relating to those assets bears to the net wealth of the firm or association;

(b) where the net wealth of the firm or association computed in accordance with this rule includes the value of any assets which are exempt from inclusion in the net wealth under sub-sections (1) and (1A) of section 5, the value of the interest of a partner or member shall be deemed to include the value of his proportionate share in the said assets, and the provisions of sub-sections (1) and (1A) of section 5 shall apply to him accordingly;

(c) where the net wealth of the firm or association computed in accordance with this rule includes the value of any assets referred to in sub-section (2) of section 5, the value of the interest of a partner or member shall be deemed to include the value of his proportionate share in the said assets, and the provisions of sub-section (2) of section 5 shall apply to him accordingly.

PART F: Life interest

17. Valuation of life interest. (1) For the purposes of sub-section (1) of section 7, the value of the life interest of an assessee shall be arrived at by multiplying the average annual income that accrued to the assessee from the life interest by the fraction $\frac{1}{P+d}$ minus 1; where 'P' represents the annual premium for a whole life insurance without profits on the life of the life tenant for unit sum assured as specified in the Appendix to these rules, and 'd' is equal to $\frac{1}{1+i}$ being the rate of interest.

Explanation.—In this rule,—

- (a) "life tenant" means a person for the duration of whose life the life interest is to subsist;
 - (b) "average annual income" means the average of the gross income derived by the assessee from the life interest during each year of the period ending on the valuation date, reduced by the average of the expenses incurred on the collection of such income in each of those years:
Provided that the amount of the reduction for such expenses shall, in no case, exceed five per cent. of the average of the annual gross income:
Provided further that in case the income so derived is for a period exceeding three years, only that income derived during the three years ending on the valuation date shall be taken into account;
 - (c) the rate of interest shall be $6\frac{1}{2}$ per cent. per annum.
- (2) Notwithstanding anything contained in sub-rule (1),—
- (a) the Assessing Officer may, if he is of the opinion that in the case of the life tenant, a life insurance company would not take the risk of insuring his life at the normal premium rates in force but would demand a higher premium, vary the valuation suitably;
 - (b) the value of the life interest so determined shall, in no case, exceed the value as on the valuation date as determined under this Schedule, of the corpus of the trust from which the life interest is derived.

PART G: Jewellery

18. Valuation of jewellery. (1) The value of the jewellery shall be estimated to be the price which it would fetch if sold in the open market on the valuation date (hereafter in this rule referred to as fair market value).

(2) The return of net wealth furnished by the assessee shall be supported by,—

- (i) a statement in the prescribed form, where the value of the jewellery on the valuation date does not exceed rupees five lakhs;
- (ii) a report of a registered valuer in the prescribed form, where the value of the jewellery on the valuation date exceeds rupees five lakhs.

(3) Notwithstanding anything mentioned in sub-rule (2), the Assessing Officer may, if he is of opinion, that the value of the jewellery declared in the return,—

- (a) is less than its fair market value by such percentage or such amount as is prescribed under sub-clause (i) of clause (b) of sub-section (1) of section 16A;
- (b) is less than its fair market value as referred to in clause (a) of sub-section (1) of section 16A,

he may refer the valuation of such jewellery to a Valuation Officer under sub-section (1) of the said section and the value of such jewellery shall be the fair market value as estimated by the Valuation Officer.

19. Adjustment in value of jewellery for subsequent assessment years. The value of any jewellery determined in accordance with sub-rule (3) of rule 18 for any assessment year (hereinafter referred to as the first assessment year), shall be taken to be the value of such jewellery for the subsequent four assessment years, subject to the following adjustments, namely:—

- (a) where the jewellery includes gold or silver or any alloy containing gold or silver, the value of such gold or silver or such alloy as on the valuation date relevant to the concerned subsequent assessment year shall be substituted for the value of such gold or silver or alloy on the valuation date relevant to the first assessment year;
- (b) where any jewellery or part of jewellery is sold or otherwise disposed of by the assessee, or any jewellery or part of jewellery is acquired by him, on or before the valuation date relevant to the concerned subsequent year, the value of the jewellery determined for the first assessment year shall be reduced or increased, as the case may be, and the value as so reduced or increased shall be the value of the jewellery for such subsequent assessment year.

PART H: Residuary

20. Valuation of assets in other cases. (1) The value of any asset, other than cash, being an asset which is not covered by rules 3 to 19, for the purposes of this Act, shall be estimated to be the price which, in the opinion of the Assessing Officer, it would fetch if sold in the open market on the valuation date.

(2) Notwithstanding anything contained in sub-rule (1), where the valuation of any asset referred to in that sub-rule is referred by the Assessing Officer to the Valuation Officer under section 16A, the value of such asset shall be estimated to be the price which, in the opinion of the Valuation Officer, it would fetch if sold in the open market on the valuation date.

(3) Where the value of any asset cannot be estimated under this rule because it is not saleable in the open market, the value shall be determined in accordance with such guidelines or principles as may be specified by the Board from time to time by general or special order.

21. Restrictive covenants to be ignored in determining market value. For the removal of doubts, it is hereby declared that the price or other consideration for which any property may be acquired by or transferred to any person under the terms of a deed of trust or through or under any restrictive covenant in any instrument of transfer shall be ignored for the purposes of determining under any provision of this Schedule, the price such property would fetch if sold in the open market on the valuation date.

EXEMPTIONS UNDER THE WEALTH-TAX ACTASSESSMENT YEARS 1993-94 to 1995-96¹:**Section 5 of the Wealth-tax Act**

Exemptions in respect of certain assets.—Wealth-tax shall not be payable by an assessee in respect of the following assets, and such assets shall not be included in the net wealth of the assessee—

- (i) any property held by him under trust or other legal obligation for any public purpose of a charitable or religious nature in India:

Provided that nothing contained in this clause shall apply to any property forming part of any business, not being a business referred to in clause (a) or clause (b) of sub-section (4A) of section 11 of the Income-tax Act in respect of which separate books of account are maintained or a business carried on by an institution, fund or trust referred to in clause (22) or clause (22A) or clause (23B) or clause (23C) of section 10 of that Act;

- (ii) the interest of the assessee in the coparcenary property of any Hindu undivided family of which he is a member;

- (iii) any one building in the occupation of a Ruler, being a building which immediately before the commencement of the Constitution (Twenty-sixth Amendment) Act, 1971, was his official residence by virtue of a declaration by the Central Government under paragraph 13 of the Merged States (Taxation Concessions) Order, 1949, or paragraph 15 of the Part B States (Taxation Concessions) Order, 1950;

- (iv) jewellery in the possession of any Ruler, not being his personal property, which has been recognised before the commencement of this Act, by the Central Government as his heirloom or, where no such recognition exists, which the Board may, subject to any rules that may be made by the Central Government in this behalf, recognise as his heirloom at the time of his first assessment to wealth-tax under this Act:

Provided that in the case of jewellery recognised by the Central Government as aforesaid, such recognition shall be subject to the following conditions, namely:—

- (i) that the jewellery shall be permanently kept in India and shall not be removed outside India except for a purpose and period approved by the Board;
- (ii) that reasonable steps shall be taken for keeping the jewellery substantially in its original shape;
- (iii) that reasonable facilities shall be allowed to any officer of Government authorised by the Board in this behalf to examine the jewellery as and when necessary; and
- (iv) that if any of the conditions hereinbefore specified is not being duly fulfilled, the Board may, for reasons to be recorded in writing, withdraw the recognition retrospectively with effect from the date of commencement of clause (b) of section 5 of the Rulers of Indian States (Abolition of Privileges) Act, 1972, and in such a case, wealth-tax shall become payable by the Ruler for all the assessment years after such commencement for which the jewellery was exempted on account of the recognition.

Explanation.—For the purposes of clause (iv) of the foregoing proviso, the fair market value of any jewellery on the date of withdrawal of the recognition in respect thereof shall be deemed to be the fair market value of such jewellery on each successive valuation date relevant for the assessment years referred to in the said proviso:

Provided further that the aggregate amount of wealth-tax payable in respect of any jewellery under clause (iv) of the foregoing proviso for all the assessment years referred to therein shall not in any case exceed fifty per cent. of its fair market value on the valuation date relevant for the assessment year in which recognition was withdrawn;

- (v) in the case of an assessee, being a person of Indian origin or a citizen of India (hereafter in this clause referred to as such person) who was ordinarily residing in a foreign country and who, on leaving such country, has returned to India with the intention of permanently residing therein, moneys and the value of assets brought by him into India and the value of the assets acquired by him out of such moneys within one year immediately preceding the date of his return and at any time thereafter:

Provided that this exemption shall apply only for a period of seven successive assessment years commencing with the assessment year next following the date on which such person returned to India.

Explanation 1.—A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grandparents, was born in undivided India;

Explanation 2.—For the removal of doubts, it is hereby declared that moneys standing to the credit of such person in a Non-resident (External) Account in any bank in India in accordance with the Foreign Exchange Regulation Act, 1973, and any rules made thereunder, on the date of his return to India, shall be deemed to be moneys brought by him into India on that date;

- (vi) one house or part of a house belonging to an individual or a Hindu undivided family (w.e.f. assessment year 1994-95 and onwards).

EXEMPTIONS UNDER THE WEALTH-TAX ACT

ASSESSMENT YEAR: 1992-93²

Section 5 of the Wealth-tax Act

Exemptions in respect of certain assets.—(1) Subject to the provisions of sub-section (1A), wealth-tax shall not be payable by an assessee in respect of the following assets, and such assets shall not be included in the net wealth of the assessee—

- (i) any property held by him under trust or other legal obligation for any public purpose of a charitable or religious nature in India:

Provided that nothing contained in this clause shall apply to any property forming part of any business, not being a business referred to in clause (a) or clause (b) of sub-section (4A) of section 11 of the Income-tax Act in respect of which separate books of account are maintained or a business carried on by an institution, fund or trust referred to in clause (22) or clause (22A) or clause (23B) or clause (23C) of section 10 of that Act;

- (ii) the interest of the assessee in the coparcenary property of any Hindu undivided family of which he is a member;

- (iii) any one building in the occupation of a Ruler, being a building which immediately before the commencement of the Constitution (Twenty-sixth Amendment) Act, 1971, was his official residence by virtue of a declaration by the Central Government under paragraph 13 of the Merged States (Taxation Concessions) Order, 1949, or paragraph 15 of the Part B States (Taxation Concessions) Order, 1950;

- (iv) one house or part of a house belonging to the assessee;

- (iva) & (ivb) *these clauses are omitted with effect from 1-4-1983;*

- (ivc) one or more dwelling units (each such dwelling unit having a plinth area not exceeding eighty square metres) and the land appurtenant thereto, belonging to the assessee, where the construction of such dwelling unit or units is begun on or after the 1st day of April, 1976:

Provided that this exemption shall apply in respect of any dwelling unit or units and the land appurtenant thereto only for a period of five successive assessment years next following the date on which the construction of such dwelling unit or units is completed.

Explanation.—For the purposes of this clause,—

- (a) “dwelling unit” means a unit of accommodation used solely for the purpose of residence;

- (b) “land appurtenant”, in relation to any dwelling unit or units comprising a building, means,—

- (i) in an area where there is any law in force providing for the minimum extent of land contiguous to the land occupied by any building to be kept as open space for the enjoyment of such building, the minimum extent of land contiguous to the land occupied by the building comprising such dwelling unit or units required to be kept as open space under such law;

- (ii) in any other area, an extent of land not exceeding one-third of the plinth area of the building comprising the dwelling unit or units at the ground level contiguous to the land occupied by such building;

- (v) the rights under any patent or copyright belonging to the assessee:

Provided that they are held by him in his own right as the inventor or author of such patent or copyright, as the case may be, and have not been assigned to, or acquired by, him under a contract or by way of inheritance or otherwise;

- (vi) the right or interest of the assessee in any policy of insurance before the moneys covered by the policies become due and payable to the assessee:

Provided that in the case of a policy of insurance the premium or other payment whereon is payable during a period of less than ten years, the amount that shall not be included in the net wealth of the assessee under this clause shall be a sum that bears to the value of the right or interest of the assessee in the policy the same proportion as the number of years during which the premium or other payment on the policy is payable bears to ten;

- (via) the right of the assessee to receive any annuity payable by the Central Government under the provisions of section 280 D of the Income-tax Act;

- (vii) the right of the assessee to receive a pension or other life annuity in respect of past services under an employer;

- (viii) furniture, household utensils, wearing apparel, provisions and other articles intended for the personal or household use of the assessee, but not including jewellery:

Provided that the furniture, utensils or other articles are neither made wholly or partly of, nor contain (whether by way of embedding, covering or otherwise), gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals:

Provided further that nothing in this clause shall operate to exclude from the net wealth of the assessee any conveyance or conveyances to the extent the value or the aggregate value thereof exceeds the sum of seventy-five thousand rupees.

Explanation 1.—For the purposes of this clause and clause (xiii), “jewellery” includes—

- (a) ornaments made of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stone, and whether or not worked or sewn into any wearing apparel;

- (b) precious or semi-precious stones, whether or not set in any furniture, utensil or other article or worked or sewn into any wearing apparel.

Explanation 2.—For the purposes of this clause, “conveyance” means any motor car or other mechanically propelled vehicle, aircraft or boat;

- (ix) the tools, implements and equipment used by the assessee for the cultivation, conservation, improvement or maintenance of agricultural land, or for the raising or harvesting of any agricultural or horticultural produce on such land.

Explanation.—For the purposes of this clause, tools, implements and equipment do not include any plant or machinery used in any tea or other plantation in connection with the processing of any agricultural produce or in the manufacture of any article from such produce;

- (x) the tools and instruments necessary to enable the assessee to carry on his profession or vocation, subject to a maximum of fifty thousand rupees in value;

- (xa) in the case of an assessee who is carrying on a profession (being legal, medical, engineering or architectural profession or the profession of accountancy or such other profession as is notified by the Central Government in this behalf) and who regularly maintains books of account on the cash system of accounting, the amount of any fee due to him in respect of the services rendered by him in such professional capacity;
- (xi) instruments and other apparatus used by the assessee for purposes of scientific research;
- (xii) any works of art, archaeological, scientific or art collections, books or manuscripts belonging to the assessee and not intended for sale;
- (xiii) any drawings, paintings, photographs, prints and any other heirloom not falling within clause (xii) and not intended for sale, but not including jewellery;
- (xiv) *For text of this clause, refer clause (iv) of section 5 on page 233;*
- (xv) deposits under any scheme framed by the Central Government and notified by it in this behalf in the Official Gazette, to the extent to which the amounts of such deposits do not exceed the maximum amount permitted to be deposited therein;
- (xvi) ten-year treasury savings deposit certificates, fifteen-year annuity certificates, deposits in post office savings banks, post office cash certificates, post office national savings certificates, post office national plan certificates and twelve-year national plan savings certificates, ten-year defence deposit certificates and twelve-year national defence certificates, to the extent to which the amount of such certificates or deposits do not exceed in each case the maximum amount permitted to be invested or deposited therein;
- (xvii) 6½ per cent. Gold Bonds, 1977, 7 per cent. Gold Bonds, 1980 and National Defence Gold Bonds, 1980;
- (xviii) Special Bearer Bonds, 1991;
- (xix) in the case of an individual, being a citizen of India or a person of Indian origin who is not resident in India, during the year ending on the valuation date, any foreign exchange asset.

Explanation.—For the purposes of this clause,—

- (a) a person shall be deemed to be of Indian origin if he or either of his parents or any of his grand-parents was born in undivided India;
- (b) an individual shall be deemed to be not resident in India during the year ending on the valuation date if in respect of that year the individual is not resident in India within the meaning of the Income-tax Act;
- (c) "foreign exchange asset" shall have the meaning assigned to it in clause (b) of section 115C of the Income-tax Act;

- (xx) in the case of an individual, being a citizen of India or a person of Indian origin who is resident in India, during the year ending on the valuation date, any foreign exchange asset [being an asset referred to in sub-clause (ii) or sub-clause (iii) or sub-clause (iv) or sub-clause (v) of clause (f) of section 115C of the Income-tax Act], where such asset was not includible by virtue of the provisions of clause (xix) in computing his net wealth on any earlier valuation date.

Explanation.—For the purposes of this clause,—

- (a) an individual shall be deemed to be resident in India during the year ending on the valuation date if in respect of that year the individual is resident in India within the meaning of the Income-tax Act;
- (b) the expressions "person of Indian origin" and "foreign exchange asset" shall have the same meanings as in the *Explanation* below clause (xix);

- (xxi) in the case of an individual or a Hindu undivided family, such Capital Investment Bonds as the Central Government may, by notification in the Official Gazette, specify in this behalf;
- (xxii) in the case of an individual or a Hindu undivided family, such debentures issued by a public sector company, as the Central Government may, by notification in the Official Gazette, specify in this behalf.

Explanation.—For the purposes of this clause, "public sector company" means any corporation established by or under any Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956;

- (xxiii) in the case of an individual or a Hindu undivided family, such Relief Bonds as the Central Government may, by notification in the official Gazette, specify in this behalf;

- (xxiv) in the case of an individual who is a non-resident Indian during the year ending on the valuation date, or a nominee or survivor of such individual or an individual receiving by way of gift from such individual the bonds specified under sub-clause (i) of clause (13) of section 10 of the Income-tax Act; Provided that where an individual, who is a non-resident Indian during the year ending on the valuation date in which the bonds are acquired, becomes a resident in India in any subsequent year ending on the valuation date, the provisions of this clause shall continue to apply in relation to such individual.

Explanation.—For the purposes of this clause, an individual shall be deemed to be a non-resident Indian during the year ending on the valuation date if in respect of that year the individual is a non-resident Indian within the meaning of clause (c) of section 113C of the Income-tax Act;

- (xxv) the amount standing to the credit of an assessee, being a salaried employee, in any provident fund maintained by his employer to which the Provident Funds Act, 1925, applies or which is a recognised provident fund within the meaning of clause (38) of section 2 of the Income-tax Act;

- (xxvi) the amount standing to the credit of—

- (a) an individual; or
- (b) a Hindu undivided family; or
- (c) an association of persons or body of individuals consisting, in either case, only of husband and wife governed by the system of community of property in force in the State of Goa and the Union territories of Dadra and Nagar Haveli and Daman and Diu,

in any provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette; viz. *Subscriptions to Public Provident Fund Scheme, 1968;*

- (xxvii) any property held by the trustees on behalf of any provident fund to which the Provident Funds Act, 1925, applies or which is a recognised provident fund within the meaning of clause (38) of section 2 of the Income-tax Act;

- (xxviii) any property held—

- (a) by the Board of Trustees constituted under the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948, on behalf of the Deposit-linked Insurance Fund established under section 3G of that Act; or
- (b) by the Board of Trustees constituted under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, on behalf of the Deposit-linked Insurance Fund established under section 6C of that Act;

- (xxix) any property held by the trustees on behalf of any gratuity fund which is an approved gratuity fund within the meaning of clause (5) of section 2 of the Income-tax Act;

- (xviid) any property held by the trustees on behalf of any superannuation fund which is an approved superannuation fund within the meaning of clause (6) of section 2 of the Income-tax Act;
- (xviii) the property received by an assessee from Government in pursuance of any gallantry or merit award instituted or approved by the Central Government;
- (xviii a) any property being a medal, trophy or an award in kind received by the assessee for any attainment, work or contribution in any field if such medal, trophy or award in kind is received by the assessee from Government or from a University established by law or an institution affiliated to such University or from any such institution, association or body as is approved for the purposes of this clause by the Central Government.

Explanation.—Any approval for the purposes of this clause may be given by the Central Government so as to have effect from a date not earlier than the 1st day of April, 1963;

- (xix) the value of any shares held by the assessee in any other company in any case where the assessee is a company;
- (xx) the value of any equity shares in any company of the type referred to in clause (d) of section 45, where such shares form part of the initial issue of equity share capital made by the company after the 31st day of March, 1964, but before the 1st day of June, 1971, for a period of five successive assessment years commencing with the assessment year next following the date on which such company commences the operations for which it has been established;
- (xxa) the value of any equity shares in any company of the type referred to in clause (d) of section 45 which is established with the main object of carrying on the business of manufacture or production of any one or more of the articles or things specified in the list in the Ninth Schedule to the Income-tax Act, where such shares form part of the initial issue of equity share capital made by the company after the 28th day of February, 1975, for a period of five successive assessment years commencing with the assessment year next following the date on which such shares were first issued;
- (xxi) that portion of the net wealth of a company established with the object of carrying on an industrial undertaking in India within the meaning of the *Explanation* to clause (d) of section 45, as is employed by it in a new and separate unit set up after the commencement of this Act by way of substantial expansion of its undertaking;

Provided that—

(a) separate accounts are maintained in respect of such unit; and

(b) the conditions specified in clause (d) of section 45 are complied with in relation to the establishment of such unit.

Provided further that this exemption shall apply to any such company only for a period of five successive assessment years commencing with the assessment year next following the date on which the company commences operations for the establishment of such unit;

- (xxii) any security of the Central Government or a State Government [not being a security referred to in clause (xvi) or clause (xvii)];
- (xxiii) any shares [not being shares referred to in clause (xx) or clause (xxa)] in any Indian company where the assessee is an individual or a Hindu undivided family;
- (xxiv) such debentures, issued by any co-operative society (including a co-operative land mortgage bank or a co-operative land development bank) or any other institution or authority, as the Central Government may, by notification in the Official Gazette, specify in this behalf;
- (xxiva) units of a Mutual Fund specified under clause (23D) of section 10 of the Income-tax Act;
- (xxv) units in the Unit Trust of India established under the Unit Trust of India Act, 1963;
- (xxva) any deposits under such National Deposit Scheme as may be framed by the Central Government and notified by it in this behalf in the Official Gazette; *viz. National Deposit Scheme, 1964*;
- (xxvb) any deposits made under the any scheme referred to in clause (i) of sub-section (1) of section 80CCA of the Income-tax Act;
- (xxvc) the right or interest of the assessee in any annuity plan of the Life Insurance Corporation referred to in clause (ii) of sub-section (1) of section 80CCA of the Income-tax Act;
- (xxvi) any deposits with a banking company to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act), or with a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank);
- (xxvii) any deposits with a financial corporation which is engaged in providing long-term finance for industrial development in India or with a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes;

Provided that the corporation or, as the case may be, the company is for the time being approved by the Central Government for the purposes of clause (viii) of sub-section (1) of section 36 of the Income-tax Act;

- (xxvii a) any deposits with the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964;
- (xxvii b) any deposits with any authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both;

- (xxvii c) any deposits made in accordance with the scheme referred to in item (i) of sub-clause (iv) of clause (15) of section 10 of the Income-tax Act, by any employee of the Central Government or a State Government or a public sector company;

Explanation.—For the purposes of this clause, “public sector company” means any corporation established by or under any Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956;

- (xxvii d) any deposits made with the National Housing Bank established under section 3 of the National Housing Bank Act, 1987;
- (xxviii) any shares in any co-operative society;
- (xxix) any deposits with a co-operative society, not being deposits referred to in clause (xxvi) or clause (xxx), made by a member of the society;
- (xxx) any deposits with a co-operative housing society made by a member of the society to whom a building or part thereof is allotted or leased under a house building scheme of the society, where such deposits have been made under such scheme;
- (xxxa) the value of one or more dwelling units (each having a plinth area of eighty square metres or less) belonging to the assessee and used solely for the purpose of residence of persons employed by the assessee in any plantation or industrial undertaking belonging to the assessee;
- (xxxi) the value, as determined in the prescribed manner, of assets (not being any land or building or any rights in any land or building or any asset referred to in any other clause of this sub-section) forming part of an industrial undertaking belonging to the assessee.

Explanation.—For the purposes of clause (xxxa), this clause, clause (xxxi) and clause (xxxiiv), the term “industrial undertaking” means an undertaking engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining

- (xxxii) the value, as determined in the prescribed manner, of the interest of the assessee in the assets (not being any land or building or any rights in any land or building or any asset referred to in any other clause of this sub-section) forming part of an industrial undertaking belonging to a firm or an association of persons of which the assessee is a partner or, as the case may be, a member;
- (xxxiii) in the case of an assessee, being a person of Indian origin or a citizen of India (hereafter in this clause referred to as such person) who was ordinarily residing in a foreign country and who, on leaving such country, has returned to India with the intention of permanently residing therein, moneys and the value of assets brought by him into India and the value of the assets acquired by him out of such moneys within one year immediately preceding the date of his return and at any time thereafter:

Provided that this exemption shall apply only for a period of seven successive assessment years commencing with the assessment year next following the date on which such person returned to India.

Explanation 1.—A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grandparents, was born in undivided India.

Explanation 2.—For the removal of doubts, it is hereby declared that moneys standing to the credit of such person in a Non-resident (External) Account in any bank in India in accordance with the Foreign Exchange Regulation Act, 1973, and any rules made thereunder, on the date of his return to India, shall be deemed to be moneys brought by him into India on that date;

- (xxxiv) in the case of an individual, being a citizen of India, who is not resident in India during the year ending on the valuation date, the value of any equity shares in any company of the type referred to in clause (d) of section 45 which is engaged in the business of manufacture or production of any one or more of the articles or things specified in Schedule II or which is certified by the prescribed authority to have undertaken the export of such percentage of its total production as may be specified in this behalf by the prescribed authority, where such shares form part of the initial issue of the equity share capital made by the company after the 31st day of March, 1976, or where such shares form part of an issue of equity share capital which is certified by the prescribed authority to have been made by the company after the 31st day of March, 1976, for the purposes of expansion or diversification of its industrial undertaking.

Explanation.—An individual shall be deemed to be not resident in India during the year ending on the valuation date if in respect of that year the individual is not resident in India within the meaning of the Income-tax Act.

(IA) Nothing contained in sub-section (1) shall operate to exclude from the net wealth of the assessee any assets referred to in clauses (iv), (xv), (xvi), (xvii), (xxii), (xxiii), (xxiv), (xxiva), (xxv), (xxva), (xxvi), (xxvii), (xxviii), (xxviii), (xxviii), (xxix), (xxxii), and (xxxiii) [not being deposits under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959], to the extent the value thereof exceeds, in the aggregate, a sum of five hundred thousand rupees:

Provided that where the assets include any assets referred to in clause (xv) or clause (xvi) [not being deposits under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959], which have been owned by the assessee continuously from a date prior to the 1st day of March, 1970, and the value of the assets so included exceeds the limit of five hundred thousand rupees by any amount, such limit shall be raised by the said amount:

Provided further that nothing contained in this sub-section shall apply to any assets referred to in clause (xvii) which are sold by a public sector company before the 1st day of June, 1988:

Provided also that where the value of any assets, being deposits referred to in clause (xxva), has not been excluded from the net wealth of the assessee under the foregoing provisions of this sub-section, so much of the value of such assets as has not been so excluded shall be excluded from the net wealth of the assessee; so, however, that the value of the assets so excluded under this proviso shall not exceed twenty-five thousand rupees.

Explanation.—Where a debt is secured on, or has been incurred in relation to, any asset referred to in this sub-section, the exemption under this sub-section shall be allowed first against the value of the asset on which or in relation to which such debt is secured or incurred and, thereafter, against the value of any other asset so referred to.

(2) Wealth-tax shall not be payable by an assessee in respect of any deposit made by the assessee with the Government or in any security of the Government or of a local authority not specified in clause (xv) or clause (xvi) or clause (xvii) of sub-section (1) which the Central Government may, by notification in the Official Gazette, exempt from wealth-tax, but the value of any deposit or security so exempted shall be included in computing the net wealth of the assessee.

(3) Notwithstanding anything contained in sub-section (1), wealth-tax shall be payable by an assessee in respect of the assets referred to in clauses (xv), (xvi), (xvii), (xviii), (xix), (xxa), (xxii), (xxiii), (xxiv), (xxv), (xxvi), (xxvii), (xxviii), (xxviii), (xxviii), (xxix) and (xxx) of sub-section (1) or in sub-section (2) for any assessment year unless the assets are owned by him—

(a) in the case of shares in a company, from the date on which the shares were first issued by the company, or for a period of at least six months ending with the relevant valuation date, whichever is shorter;

(aa) in the case of Capital Investment Bonds referred to in clause (xvii) or debentures referred to in clause (xvii) or Relief Bonds referred to in clause (xvii) of sub-section (1), from the date on which the Bonds or debentures or Relief Bonds, as the case may be, were subscribed to by the assessee, or for a period of at least six months ending with the relevant valuation date, whichever is shorter; and

(b) in the case of other assets, for a period of at least six months ending with the relevant valuation date:

Provided that for the purpose of making any assessment for the assessment year commencing on the 1st day of April, 1963, the provisions of clause (b) shall not apply to ten-year defence deposit certificates and twelve-year national defence certificates held by the assessee on the relevant valuation date.

Explanation.—For the purposes of clause (a) or clause (aa) or clause (b) of this sub-section, in computing the period of six months in relation to any asset (not being any share or security held as stock-in-trade for the purposes of the business of the assessee) in a case where such asset (hereafter in this *Explanation* referred to as the relevant asset) was acquired by the assessee by conversion of, or in exchange for, or with the proceeds of, or with the money constituting, any other asset exempt from wealth-tax under sub-section (1) or sub-section (2), there shall be included, if the assessee acquired the relevant asset within sixty days after he ceased to own such other asset, so much of the period for which the assessee has owned such other asset as falls within the period of twelve months ending with the relevant valuation date.

(4) Where the assessee is a partner of a firm or member of an association of persons, and the firm or association owns any one or more of the assets which are exempt under sub-section (1), then, for the purposes of his assessment under this Act, the value of his interest in the firm or association shall be deemed to include the value of a part of each such asset of the firm or association in the same proportion in which he is entitled to share the profits of the firm or association and the assessment shall be made after allowing the exemption under sub-section (1), in respect of those assets on the basis of such proportionate value.

SALIENT FEATURES OF THE WEALTH-TAX ACT, 1957:

(For and from the assessment years 1991-92 to 1994-95)

The Wealth-tax Act which came into force from assessment year 1957-58 occupies a place of importance in the scheme of taxation. It is, therefore, necessary to understand the broad and salient features of this Act in a simple language as possible.

GENERAL

(1) Assessee:

[Section 2(c)]

"Assessee" means a person by whom wealth-tax or any other sum of money (e.g. interest, penalty) payable under the Act or in respect of whom any proceeding under this Act has been taken for determining the wealth-tax payable by him or the amount of refund due to him and includes:

- (1) legal representative of a deceased person [Section 19];
- (2) executor or executors of the estate of a deceased person [Section 19A];
- (3) guardian or trustee of any person being a minor, lunatic or idiot who holds any assets on behalf of and for the benefit of such beneficiary, upto assessment year 1992-93 [Section 21 (3)]; and
- (4) a person deemed to be the agent of any person residing outside India [Section 22].

(2) Assessment year:

[Section 2(d)]

An assessment year means a period of 12 months commencing on 1st April and ending on 31st March of the following year. For instance, the assessment year 1994-95 commenced on 1st April, 1994 and will end on 31st March, 1995.

(3) Valuation date:

[Section 2(q)]

"Valuation date" in relation to an "assessment year" means the last day of the previous year as defined under section 3 of the Income-tax Act.

The valuation date for assessment year 1989-90 and subsequent years will be 31st March being the last day of the uniform previous year in all cases.

(4) Assessable entities:

(Section 3)

Persons chargeable to wealth-tax:

Under section 3 of the Wealth-tax Act, the following persons are chargeable to wealth-tax on their wealth as on the valuation date corresponding to the assessment year:

- (1) Individual, (2) Hindu undivided family, and (3) Company.

The word "Individual" has not been defined in the Wealth-tax Act but on the basis of court decisions, it has been given a wide meaning. The word "Individual", therefore, means not only a human being but also includes a group of persons forming an unit.

Rates at which wealth-tax is to be charged:

While income-tax is chargeable on the total income of an assessee at the rates laid down in the Income-tax Act of the relevant year, the wealth-tax is to be charged:

- (a) In respect of an individual and a Hindu undivided family:

(1) Upto assessment year 1992-93, under section 3(1) of the Wealth-tax Act at the rate or rates specified in the Schedule I to the Act. Any modification in the rates specified in the Schedule I is affected through the Finance Acts. The Schedule I consists of two Parts. Part I of the Schedule I specifies rates at which tax is to be levied on the net wealth of individuals and Hindu undivided families. Part II of the Schedule I contains rules which prescribe the conditions under which wealth-tax is to be levied at concessional rates.

Exemption limit in respect of levy of wealth-tax for assessment years 1991-92 & 1992-93 is Rs. 2,50,000. However, in the case of a Hindu undivided family where at least one member of the family has net wealth exceeding Rs. 2,50,000, exemption limit in respect of such a Hindu undivided family is Rs. 1,50,000.

For rates of wealth-tax for assessment years: (1) 1991-92, refer page 220 of I.T.R.R. 1991-92 & (2) 1992-93, refer page 200 of I.T.R.R. 1992-93.

(2) From assessment year 1993-94 and onwards, under section 3(2) of the Wealth-tax Act at the flat rate of 1% of the net wealth exceeding Rs. 15 lakhs.

(b) In respect of a company:

(1) From assessment year 1984-85 to 1992-93, in the case of a company being a closely-held company, under section 40(1) of the Finance Act, 1983 at the flat rate of 2% (without any minimum exemption limit) in respect of certain assets specified in section 40(3) of the said Act. For further details, refer page 255.

(2) From assessment year 1993-94 and onwards, in the case of all companies, under section 3(2) of the Wealth-tax Act at the flat rate of 1% of the net wealth exceeding Rs. 15 lakhs.

(5) Residential status:

Explanation 1 to section 6 of the Wealth-tax Act lays down that an individual or a Hindu undivided family shall be deemed to be "not resident in India" or "resident but not ordinarily resident in India" during the year ending on the valuation date, if in respect of that year, the individual or the Hindu undivided family, as the case may be, is "not resident in India" or "resident but not ordinarily resident in India" within the meaning of the Income-tax Act. The residential status as explained on PP. 44-46 under the "Explanatory notes on salient features of the Income-tax Act" also holds good under the Wealth-tax Act.

An individual having balance to his credit in a Non-resident (External) Account, the interest whereof is exempt under section 10(4)(ii) of the Income-tax Act, 1961, shall be deemed to be not resident in India during the year ending on valuation date, if in respect of that year he is resident outside India as defined under section 2(q) of the Foreign Exchange Regulation Act, 1973. (Refer page 47) [vide Explanation 1A to section 6].

(6) Citizenship of India:

The tax liability under the Wealth-tax Act is determined on the basis of residential status of an assessee as also on the basis of his being a citizen or a non-citizen of India. The term "Citizen" is defined in Article 5 of the Constitution. In order to be a citizen of India, a person must have domicile in the territory of India and must satisfy any of the following three conditions:

- (1) he must have been born in India; or
- (2) either of his parents must have been born in India; or
- (3) he must have been ordinarily resident in India for not less than five years before 26-1-1950.

A person would cease to be a citizen of India if he has voluntarily acquired the citizenship of any foreign state.

(7) Assets which fall outside the purview of the Wealth-tax Act:

(A) FROM ASSESSMENT YEAR 1993-94 AND ONWARDS:

Assets other than assets specified in section 2(ea) are outside the purview of the Wealth-tax Act and hence not chargeable to wealth-tax. Wealth-tax is chargeable only on assets specified in section 2(ea). The assets specified in section 2(ea) are:

(a) Any guest house; residential house¹; and/or farm house situated within 25 kilometres from the local limits of any municipality² or a cantonment board; but excluding:

(1) a house meant exclusively for residential purposes and which is allotted by a company to an employee or an officer or a director who is in whole-time employment, having gross annual salary of less than Rs. 2,00,000;

(2) a residential house forming part of stock-in-trade;

(b) Motor cars, other than those used in assessee's hiring business or used as stock-in-trade;

(c) Jewellery³, bullion, and furniture, utensils or any other article made wholly or partly of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, other than those used as stock-in-trade by the assessee;

1. From assessment year 1994-95 and onwards, one house or part of a house belonging to an individual or a Hindu undivided family is exempt without monetary ceiling u/s. 5(vi).

2. "Municipality" whether known as a municipal corporation, notified area committee, town area committee, town committee or by any other name.

3. The term "Jewellery" includes (a) ornaments made of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stones, and whether or not worked or sewn into any wearing apparel; (b) precious or semi-precious stones, whether or not set in any furniture, utensils or other article or worked or sewn into any wearing apparel.

(d) Yachts, boats and aircrafts, other than those used by the assessee for commercial purposes;
(e) Urban land, being land, within the jurisdiction of a municipality^{3a} or a cantonment board which has a population of not less than 10,000 or within 8 kilometres of the local limits of such municipality^{3b} or cantonment board, as the Central Government may notify but does not include:

(1) land on which construction of a building is not permissible under any law or the land on which building is constructed with the approval of the appropriate authority,

(2) any unused land held by the assessee for industrial purposes for a period of two years from the date of its acquisition by him, and

(3) for assessment year 1994-95^{3c}, any land held by the assessee as stock-in-trade for a period of three years from the date of its acquisition by him;

(f) Cash in hand, in excess of Rs. 50,000, of individuals and Hindu undivided families and in the case of other persons any amount not recorded in the books of account.

The assets mentioned above are chargeable to wealth tax without any exemption from assessment year 1993-94 and onwards. The other assets such as, shares, debentures, deposits, units, loans advanced, etc. etc. are not liable to wealth-tax [Refer example on page 260].

(B) UPTO ASSESSMENT YEAR 1992-93:

(i) AGRICULTURAL PROPERTY

[Section 2(e)(2)(i)(a) & (b)]

Agricultural property of any type including tea, coffee, rubber and cardamom plantation, growing crops (including fruits on trees), grass or standing trees on such land will cease to be regarded as "assets" for the purposes of the Wealth-tax Act and as such will be totally exempt from wealth-tax.

(ii) ANIMALS

[Section 2(e)(2)(i)(c)]

The value of animals is fully exempt from wealth-tax throughout, as the animals do not constitute "assets" within the meaning of section 2(e).

(iii) RIGHT TO A NON-COMMUTABLE ANNUITY

[Section 2(e)(2)(ii)]

The value of any right to a non-commutable annuity, which is not purchased by the assessee or purchased by any other person in pursuance of a contract with the assessee, is not included in the definition of "assets" and is therefore exempt from wealth-tax.

Accordingly, the value of the right to any annuity (commutable or not) so purchased will be chargeable to wealth-tax except to the extent it is exempt under section 5(1) of the Wealth-tax Act, such as:

(a) right to receive annuity u/s. 280D of the Income-tax Act is exempt under section 5(1) (via) of the Wealth-tax Act, or

(b) the right to receive a pension or other life annuity in respect of past services under an employer is exempt under section 5(1)(vii) of the Wealth-tax Act, or

(c) right or interest in any annuity plan of the Life Insurance Corporation referred to in section 80CCA(1)(ii) of the Income-tax Act is exempt u/s. 5(1)(xxvc) of the Wealth-tax Act.

These types of annuities will continue to be exempt as hitherto.

(iv) LIMITED INTEREST IN PROPERTY:

[Section 2(e)(2)(iii)]

The value of interest in property where the interest is available to an assessee for a period not exceeding six years from the date the interest vests in him is fully exempt from wealth-tax throughout, as such interest does not constitute "assets" within the meaning of section 2(e) of the Wealth-tax Act.

(8) Net wealth:

[Section 2(m)]

(A) FROM ASSESSMENT YEAR 1993-94 AND ONWARDS:

Net wealth means the aggregate value of all the chargeable assets [specified in section 2(ea), refer page 239], wherever located, belonging to the assessee on the valuation date including assets which are to be included in his net wealth under section 4 as diminished by the aggregate value of all the debts^{3b} owed by the assessee on the valuation date which have been incurred in relation to the assets specified in section 2(ea).

3a. "Municipality" whether known as a municipal corporation, notified area committee, town area committee, town committee or by any other name.

3b. The liability under the Wealth-tax Act is not a debt owed by the assessee incurred in relation to the assets taxable under the Wealth-tax Act. Therefore, no deduction is to be allowed for wealth-tax liability in the computation of the taxable net wealth for assessment year 1993-94 and onwards [Circular No. 663, dt. 28-9-1993. 203 ITR (Sc.) 134].

3c. For the amendment made by the Finance Act, 1994, refer Para 1 on page 42.

(B) UPTO ASSESSMENT YEAR 1992-93:

Net wealth means the aggregate value of all the chargeable assets, wherever located, belonging to the assessee on the valuation date including assets which are to be included in his net wealth under section 4 and section 5(3) as diminished by the aggregate value of all the debts owed by the assessee on the valuation date except those which are specifically not allowable under any provisions of the Wealth-tax Act.

Debts: A debt is a sum of money which is payable or will become payable in future by reason of a present obligation. The obligation must have accrued and must be subsisting. The essential requisite of a debt is that it should be an ascertained or readily calculable amount.

Debts which are not deductible: (i) Under section 6, debts located outside India shall not be taken into account in computing the net wealth in the following cases:

- (a) in the case of an individual who is not a citizen of India;
- (b) in the case of an individual or Hindu undivided family who is "non-resident" in India or who is "resident but not ordinarily resident" in India [Section 2(m)(i)].
- (ii) Debts secured on, or incurred in relation to, exempted assets [Section 2(m)(ii)].

For instance, a loan taken on the security of life insurance policy which is an exempted asset under section 5(1)(vi) is invested in business. The loan so obtained will not be deductible from the value of the business assets.

However, for assessment years 1989-90 to 1992-93, where a debt is secured on, or has been incurred in relation to, any asset, which is wholly or partially exempt u/s. 5(1A), then the amount of such debt to the extent of exemption u/s. 5(1A) will not be deductible [Explanation 2 to section 2(m)].

For instance, a loan of Rs. 6,00,000 is secured on a house valued at Rs. 10,00,000. The value of house upto Rs. 5,00,000 is exempt u/s. 5(1)(iv) read with section 5(1A) [it is assumed that no other assets are held by the assessee which are exempt u/s. 5(1A)]. The loan to the extent of Rs. 5,00,000 [i.e., to the extent of exemption u/s. 5(1A) for house] will not be deductible as debts under section 2(m)(ii) read with Explanation 2. Only Rs. 1,00,000 [Rs. 6,00,000 loan less Rs. 5,00,000 exemption u/s. 5(1A)] will be deductible as debt u/s. 2(m)(ii).

(iii) Tax, penalty or interest payable under the Income-tax Act or Gift-tax Act or Wealth-tax Act or Estate Duty Act which is outstanding on the valuation date and is disputed in appeal or which is outstanding on the valuation date for a period of more than 12 months. The period of 12 months is to be counted from 31st day from the date of service of demand notice [Section 2(m)(iii)].

(9) Incidence of tax on the basis of citizenship and residential status:

A. *In the case of an assessee who is a citizen of India*, the tax liability will be as under:

- (i) If he is "resident and ordinarily resident", he will be chargeable to tax in respect of—
 - (a) the value of the assets and debts located in India, and
 - (b) the value of the assets and debts located outside India.

Upto assessment year 1992-93, from the tax payable on the net wealth comprising (a) and (b) above at the rates specified in the Schedule I to the Wealth-tax Act, he will be entitled to rebate on net foreign wealth at 50% of the average rate, as provided in Rule 4 of Part II of the Schedule I [Refer page 220 and example (6) on page 252 of I.T.R.R. 1991-92 (53rd Year of Publication)].

(ii) If he is "resident but not ordinarily resident" or "non-resident", he will be chargeable to tax in respect of the value of all assets and debts located in India except the value of assets in respect of which interest is not to be included in total income under section 10 of the Income-tax Act. The value of assets and debts located outside India is exempt in his case under section 6 of the Wealth-tax Act.

B. *In the case of an assessee who is not a citizen of India*, the tax liability will be as under:

(1) If he is "resident and ordinarily resident" or "resident but not ordinarily resident", he will be chargeable to tax on net wealth located in India except the assets in respect of which interest is not to be included in total income under section 10 of the Income-tax Act. The value of assets and debts located outside India is exempt in his case under section 6 of the Wealth-tax Act.

(2) If he is "non-resident", the liability will be the same as in (1) above but, upto assessment year 1992-93, under Rule 3 of Part II of the Schedule I to the Wealth-tax Act [Refer page 220 and example (6) on page 252 of I.T.R.R. 1991-92 (53rd Year of Publication)], he will be entitled to rebate at 50% of the tax payable.

(10) Valuation of assets:

[Substituted Section 7]

W.e.f. 1-4-1989, the value of any asset, other than cash and a self-occupied residential house belonging to the assessee, shall be its value as on the valuation date determined in the manner laid down in Schedule III to

the Wealth-tax Act and not under the Wealth-tax Rules. This Schedule inserted w.e.f. 1-4-1989 contains 21 Rules for determining the value of assets as stated hereunder:

PART	RULE	VALUATION IN RESPECT OF:	FOR TEXT OF THE RULE
A	1 & 2	Applicability of rules & definitions	Refer page 228.
B	3 to 8	Immovable property	Refer page 229-230.
C ⁴	9 to 13 ⁴	Shares in, or debentures of, companies ⁴	Refer page 202-204 of I.T.R.R. 1992-93.
D	14	Assets of business as a whole	Refer page 230.
E	15 & 16	Interest in firm/A.O.P. of partner/member	Refer page 231.
F	17	Life interest	Refer page 232.
G	18 & 19	Jewellery	Refer page 232.
H	20 & 21	Assets other than the assets stated above	Refer page 232.

Any provision made in the trust deed giving right to the beneficiary or any other person to acquire or purchase any property of the trust at a stipulated price under the terms of the trust deed or restrictive covenant in any instrument of transfer is to be ignored for the purposes of determining the market price of such property as on the valuation date. Thus, the restrictive clauses in the trust deed or in the instrument of transfer will be disregarded for the purpose of determining the market value of such property chargeable to wealth-tax [Rule 21 of the Schedule III].

(a) Valuation of self-occupied residential house:

W.e.f. 1-4-1989, the value of a house belonging to the assessee and exclusively used by him for residential purposes throughout the period of 12 months immediately preceding the valuation date, may, at the option of the assessee, be taken to be the value determined in manner laid down in Part B of the Schedule III [refer item (b) hereafter] as on the valuation date next following the date on which he became the owner of the house or on the valuation date relevant to assessment year 1971-72, whichever is later [Section 7(2)].

Where such a house is acquired prior to assessment year 1971-72, its value, at the option of the assessee, be taken to be as prevailing on the valuation date relevant to assessment year 1971-72 or the value determined in manner laid down in Part B of Schedule III [refer item (b) hereafter], whichever is beneficial to the assessee. In the same manner value of such a house is to be taken where the house is acquired on or before 31-3-1974.

Where such a house is acquired on or after 1-4-1974, value of such a house also will be taken as discussed above provided that cost of acquisition or cost of construction of such a house does not exceed—

(1) Rs. 50,00,000, if the house is situate at Bombay, Calcutta, Delhi or Madras;

(2) Rs. 25,00,000, if the house is situate at any other place.

If such a house is acquired on or after 1-4-1974 and its cost exceeds Rs. 50,00,000 or Rs. 25,00,000, as the case may be, then, the value of such a house will be the cost of the acquisition.

Upto assessment year 1992-93, where more than one house is used by the assessee for self-occupation, assessee shall have option to choose one of such houses for the purposes of valuation as stated in earlier paras [Proviso to section 7(2)].

Where the house is constructed by the assessee, the date on which the construction of the house is completed will be taken to be the date on which he became owner of the house. House includes a part of a house being an independent residential unit [Explanation to section 7(2)].

(b) Valuation of immovable property:

(Rules 3 to 8 of Part B of Schedule III)

With effect from 1-4-1989, the valuation of any immovable property for the purpose of section 7(1) of the Wealth-tax Act, 1957 is to be made in accordance with the provisions contained in Rules 3 to 8 of Schedule III. These rules apply to any immovable property whether it is residential or not.

DEFINITIONS:

(1) "Gross maintainable rent" means:

(a) where the property is not let, the amount of annual rent assessed by the local authority for the purposes of levy of property tax or any other tax. If there is no such assessment or the property is situated outside the area of any local authority, the amount which the owner can reasonably be expected to receive as annual rent had such property been let;

4. Part C of Schedule III omitted w.e.f. 1-4-1993 (assessment year 1993-94 and onwards) consequential to exclusion of shares and debentures from levy of wealth-tax, vide section 2(ea), refer item 7(A) on page 239.

(b) where the property is let, the amount received or receivable as annual rent or the annual value assessed by the local authority for the purposes of levy of property tax or any other tax, whichever is higher.

"Annual rent" means the actual rent received or receivable⁵ by the owner throughout the previous year. However, in cases where the property is partly let-out and partly vacant during the previous year, the annual rent means the amount which bears the same proportion to the amount of the actual rent received or receivable by the owner for which the property is let, as the period of 12 months bears to the number of months (including part of a month) during which the property is let.

Further, the actual rent is to be increased by—

- (i) the amount of municipal taxes, if borne by the tenant;
- (ii) 1/9th of the actual rent, if expenditure on repairs is borne by the tenant;

(iii) the amount calculated @ 15% p.a. on the amount of deposit (not being advance rent for 3 months or less) outstanding from month to month, for the number of months (excluding part of a month). However, if the owner pays interest to the tenant on deposit so taken, the increase to be made to the actual rent as above should be limited to the sum by which the amount calculated aforesaid exceeds the interest.

EXAMPLE 1: Mr. A receives Rs. 9,000 as rent of a residential house for a period of 9 months. The house was vacant for 3 months. The annual rent is to be adopted at Rs. $9,000 \times 12 \div 9 = \text{Rs. } 12,000$.

EXAMPLE 2: Mr. A let out his property to Mr. B from 1-4-1993 for a period of 3 years @ Rs. 18,000 p.a. The annual value of the property assessed by a local authority is Rs. 15,000. Mr. A has taken on the said date a deposit of Rs. 60,000 to be adjusted at the end of the period. Mr. A pays interest to Mr. B @ 11% p.a. i.e. Rs. 6,600 p.a. Mr. B bears repairs expenses and also municipal taxes amounting to Rs. 4,000. Annual rent will be:

Actual rent for the year ⁶	Rs.	18,000
Add: Municipal taxes borne by Mr. B	Rs.	4,000
For repairs expenses borne by Mr. B: 1/9th of actual rent	Rs.	2,000
Interest @ 15% p.a. on deposit of Rs. 60,000	Rs.	9,000
Less: Interest paid to Mr. B @ 11% p.a. on Rs. 60,000	Rs.	6,600
	Rs.	2,400
Annual rent	Rs.	26,400

(iv) where the owner has received any amount by way of premium or otherwise as consideration for leasing or any modification of the terms of the lease, the amount obtained by dividing the premium or other amount by the number of years of the period of lease.

If in the Example 2 above, if Mr. A had taken Rs. 60,000 as premium for leasing for a period of 20 years, instead of deposit, the annual rent will be Rs. 27,000 [Rs. 18,000 + Rs. 4,000 + Rs. 2,000 + Rs. 3,000 (Rs. 60,000 premium ÷ 20 years being number of years of the lease period)];

(v) where the owner derives any benefit or perquisite, whether convertible into money or not, as consideration of leasing or any modification of the terms of the lease, the value of such benefit or perquisite should be added to the actual rent.

(2) "Net maintainable rent" means the amount of gross maintainable rent as reduced by—

- (i) the amount of taxes levied by any local authority in respect of the property, e.g. municipal taxes; and
- (ii) a sum equal to 15% of the gross maintainable rent.

EXAMPLE 3: Gross maintainable rent in the manner worked out in item (1) above is, say Rs. 30,000

Less: Municipal taxes levied by local authority	Rs.	5,000
15% of Rs. 30,000 (gross maintainable rent)	Rs.	4,500
Net maintainable rent	Rs.	20,500

(3) "Aggregate area" means the aggregate area in relation to the plot of land on which the property is constructed and the unbuildt area;

(4) "Specified area", in relation to the plot of land on which the property is constructed, means:

(a) where the property is situate at Bombay, Calcutta, Delhi or Madras, sixty per cent. of the aggregate area;

(b) where the property is situate at Agra, Ahmedabad, Allahabad, Amritsar, Bangalore, Bhopal, Cochin, Hyderabad, Indore, Jabalpur, Jamshedpur, Kanpur, Lucknow, Ludhiana, Madurai, Nagpur, Patna, Pune, Salem, Sholapur, Srinagar, Surat, Tiruchirapalli, Trivandrum, Vadodara (Baroda) or Varanasi (Banaras), sixty-five per cent. of the aggregate area;

5. Rent received or receivable shall include all payments for user of property, value of all benefits or perquisites, whether convertible into money or not, obtained from a tenant or occupier of the property and also any sum paid by such a tenant or occupier in respect of any obligation which would have been payable by the owner.

6. As the actual rent received (Rs. 18,000) is more than annual value (Rs. 15,000), actual rent is to be taken.

(c) where the property is situate at any other place, seventy per cent. of the aggregate area:

Provided that where under any law for the time being in force, the minimum area of the plot of land required to be kept as open space for the enjoyment of the property exceeds the specified area, such minimum area shall be deemed to be the specified area.

(5) "Unbuilt area", in relation to the aggregate area of the plot of land on which the property is constructed, means that part of such aggregate area on which no building has been erected.

CAPITALISATION OF NET MAINTAINABLE RENT:

[Refer Rule 3 of the Schedule III]

The value of any immovable property, being a building or land appurtenant thereto, or part thereof, for inclusion in the net wealth is to be arrived at as under:

Where the property is constructed on:

- | | | |
|---|---------|------------------------------|
| (a) Free hold land | .. .. . | Net maintainable rent × 12.5 |
| (b) Leasehold land and where the unexpired period of lease of such land is: | | Net maintainable rent × 10 |
| (1) 50 years or more | .. .. . | Net maintainable rent × 8. |
| (2) less than 50 years | .. .. . |  |

However, where such property is acquired or construction of which is completed after 31-3-1974 and value arrived at as above is lower than the cost of acquisition/construction, as increased by the cost of any improvement to the property, then the value of the property under Rule 3 for the purposes of inclusion in the net wealth shall be the cost of acquisition/construction as so increased by cost of improvement. This restriction will also apply to a self-occupied residential house subject to certain conditions mentioned in item (a) on page 242.

EXAMPLE: The net maintainable rent of a building is say, Rs. 20,000.

If the building is constructed on:

- | | | |
|--|---|---------------------------------------|
| | | Value for inclusion in the net wealth |
| (1) Free hold land | net maintainable rent Rs. 20,000 × 12.5 | Rs. 2,50,000 |
| (2) Lease hold land where the unexpired period of lease of such land is: | | |
| (a) 50 years or more | net maintainable rent Rs. 20,000 × 10 | Rs. 2,00,000 |
| (b) less than 50 years | net maintainable rent Rs. 20,000 × 8 | Rs. 1,60,000 |

PREMIUM TO BE ADDED TO THE CAPITALISED VALUE IN CERTAIN CASES:

[Refer Rule 6 of the Schedule III]

Where the unbuilt area of the plot of land on which the property is constructed exceeds the specified area, the capitalised value of the property shall be increased by an amount calculated as hereunder:

Where the difference between the unbuilt area and the specified area—

- | | | |
|---|---------|---|
| exceeds 5% but does not exceed 10% of the aggregate area | .. .. . | by an amount equal to 20% of such value |
| exceeds 10% but does not exceed 15% of the aggregate area | .. .. . | by an amount equal to 30% of such value |
| exceeds 15% but does not exceed 20% of the aggregate area | .. .. . | by an amount equal to 40% of such value |

THE PROVISIONS OF RULE 3 OF THE SCHEDULE III NOT APPLICABLE IN CERTAIN CASES:

[Refer Rule 8 & 20 of the Schedule III]

(1) Where the Assessing Officer, with the previous approval of the Deputy Commissioner, is of opinion that it is not practicable to apply the provisions of Rule 3 [Rule 8(a)].

(2) where the difference between the unbuilt area and the specified area exceeds 20% of the aggregate area [Rule (b)].

(3) where the property is constructed on lease-hold land and the lease expires within 15 years from the relevant valuation date and the deed of lease does not give an option to the lessee for the renewal of the lease [Rule 8(c)].

In the above circumstances where the provisions of rule 3 are not applicable, the value of the property is to be determined in the manner laid down in rule 20 (refer page 232).

(c) The valuation of other assets:

The valuation of Jewellery has to be made by the authorised registered valuers appointed by the Government. Where the value of jewellery does not exceed Rs. 5,00,000, then, assessee has to submit a statement in the prescribed Form 0-8A alongwith the return of net wealth. If value exceeds Rs. 5,00,000, its value will be as per the valuation made by the Valuation Officer, on a reference made to him by the Assessing Officer. For the rate of gold and silver from 31-10-78 to 31-3-94, refer page 262.

The valuation of jewellery will be on the basis of its 'fair market value' on the valuation date. Where the value of the jewellery exceeds Rs. 5 lakhs, a valuation report from a registered valuer in the prescribed form

should be filed along with the return of net wealth⁷. If the Assessing Officer is of the opinion that the value of jewellery is less than its fair market value, he may, subject to section 16A(1), refer the valuation of such jewellery to the Valuation Officer. The value estimated by such Valuation Officer will be adopted by the Assessing Officer.

Upto assessment year 1992-93⁸, value of securities, debentures and shares in Indian companies is the value as quoted in various stock exchanges. However, under rule 9A the value of quoted equity share of a company will be, at the option of the assessee or a company⁹:

(1) as quoted on any recognised stock exchange; or

(2) the average of the value quoted on 31st March of the relevant previous year and 31st March of the nine¹⁰ years immediately preceding that date.

If there is no such quotation on any of the aforesaid dates, the quotation of the date closest to the said date immediately preceding such date will be adopted. If the equity share had been quoted for lesser number of years than the nine¹⁰ years mentioned, the average will be taken on the basis of such lesser number of years.

The assessee may adopt either of the value in respect of shares of each company, whichever is beneficial to him. Where average value is adopted, a certificate of a chartered accountant should be obtained and enclosed to the return of wealth.

Upto assessment year 1992-93⁸, valuation of unquoted shares is to be computed as per Rules 10 to 13 [for example, refer page 340 of I.T.R.R. 1992-93 (54th Year of Publication)].

In case of uncertainty in the matter of correct valuation of any asset, it would be advisable to get the asset or assets valued by the approved valuers appointed by the Government. Though the valuation report is not by itself binding on the department, the assessee would not be subjected to any penalty for understatement of the value of any asset on the ground that its value as adopted in the assessment order is higher than that estimated by the approved valuer.

NET WEALTH OF AN ASSESSEE TO INCLUDE CERTAIN ASSETS:

(Section 4)

Section 4 deals with the inclusion of the value of certain assets in the net wealth of an assessee though under the general law such assets do not belong to the assessee. The circumstances under which these assets are to be included are discussed hereunder:

Assets transferred to the following categories of persons fall within the ambit of

section 4 (1)(a):

(1) *Assets transferred to spouse (i.e., husband or wife):*

[Section 4 (1)(a)(i)]

The value of assets which are transferred directly or indirectly (otherwise than for adequate consideration or in connection with an agreement to live apart) by a husband to his wife or by a wife to her husband are to be included in the hands of the transferor.

(2) *Assets transferred to minor children other than a married daughter:*

[Section 4(1)(a)(ii)]

From assessment year 1993-94 and onwards, the value of assets which on the valuation date are held by a minor child (not being a married daughter) of an individual are to be included in the net wealth of the parent who is having greater net wealth or where the marriage of his parents does not subsist, in the net wealth of that parent who maintains the minor child in the previous year and where any such assets are once included in the net wealth of the either parent, any such assets shall not be included in the net wealth of the other parent in any succeeding year unless the Assessing Officer is satisfied, after giving that parent an opportunity of being heard, that it is necessary so to do [Vide 3rd proviso to section 4(1)(a)]. However, assets acquired by the minor child out of his income [referred to in the proviso to section 64(1A) of the Income-tax Act] and held on the valuation date is not to be included in the net wealth of his parent [Vide 2nd proviso to section 4(1)(a)].

From assessment year 1995-96 and onwards, where the assets are held by a physically handicapped minor child as specified in section 80U of the Income-tax Act (refer page 204), such assets will not be included in the net wealth of the parent as provisions of section 4(1)(a)(ii) are not applicable.

7. The Board has clarified vide Circular No. 646, dt. 15-3-93 [200 ITR (St.) 228] that "The report of the registered valuer obtained for one assessment year can also be used for subsequent four assessment years subject to the adjustments specified in Para 3 of the said circular. In such a case a copy of the said valuation report along with a chart showing the specified adjustments shall be filed along with the return of net wealth for each of the four assessment years."

8. Consequent to insertion of new section 2(ea) [Refer item 7(A) on page 239], there will be no levy of wealth-tax on securities and shares/debentures of companies for and from assessment year 1993-94 and onwards.

9. For assessment years 1990-91 and 1991-92, this option was available to an assessee other than a company.

10. For assessment years 1990-91 and 1991-92, for the words 'nine years' read 'four years'.

Upto assessment year 1992-93, the value of the assets transferred directly or indirectly (otherwise than for adequate consideration) to a minor child (not being a married daughter) are to be included in the assessment of the transferor (i.e. father or mother of the minor child who has transferred such assets).

(3) Assets transferred to persons or association of persons:

[Section 4(1)(a)(iii)]

The value of assets transferred by the individual, directly or indirectly (otherwise than for adequate consideration) to a person or association of persons for the immediate or deferred benefit of the :

(a) individual, his or her spouse, or

(b) upto assessment year 1992-93, individual, his or her spouse or minor child (not being a married daughter) or both,

shall be included in the net wealth of the individual.

(4) Transfer of assets to an association of persons otherwise than under an irrevocable transfer:

[Section 4(1)(a)(iv)]

The value of assets transferred by the individual to a person or association of persons is to be included in the hands of the transferor, if the transfer is by way of revocable transfer.

In other words, if the transfer is by way of an "irrevocable transfer", the asset will not be deemed as belonging to the transferor.

The expression "irrevocable transfer" as defined in the Explanation to section 4 means a transfer of assets which, by the terms of instrument effecting it, is not revocable for a period exceeding 6 years or during the life time of the transferee, and under which the transferor derives no direct or indirect benefit.

A transfer of assets would not be considered as "irrevocable transfer" if the instrument of transfer contains any provision of the re-transfer, directly or indirectly, of the whole or any part of the assets or income therefrom to the transferor or in any way gives the transferor a right to re-assume power, directly or indirectly, over the whole or any part of the assets or income therefrom.

(5) Assets transferred by an individual to his or her son's wife or minor child:

[Section 4(1)(a)(v)]

The value of assets transferred by an individual, directly or indirectly (otherwise than for adequate consideration) to his or her:

(a) son's wife, or

(b) upto assessment year 1992-93, son's wife, or the son's minor child, on or after 1-6-1973 are to be included in the assessment of the transferor.

(6) Assets transferred by an individual to a person or association of persons for the benefit of son's wife or son's minor child:

[Section 4(1)(a)(vi)]

Where an individual has transferred assets on or after 1-6-1973 otherwise than for adequate consideration to a person or association of persons directly or indirectly for the immediate or deferred benefit of:

(a) son's wife, or

(b) upto assessment year 1992-93, son's wife, or the son's minor child, of such individual, such assets will be included in the net wealth of the individual.

(7) Transfer of assets referred to in any of the sub-clauses of section 4(1)(a) which are chargeable to gift-tax or exempt from gift-tax:

[1st proviso to section 4(1)(a)]

Under the 1st proviso to section 4(1)(a), the value of the assets referred to therein and transferred after the end of the previous year relevant to the assessment year 1971-72 and subsequent years by way of gift is to be included in the net wealth of the individual even though such gift is chargeable under the Gift-tax Act, 1958 or is exempt under section 5 of that Act.

In connection with the above deemed assets it may be noted that:

(a) It is not necessary that the transferred asset should be held by the transferee on the valuation date in the same form in which it was transferred. Thus, if an individual transfers cash to his or her spouse or

minor child (includes a step-child and an adopted child) which is used before the valuation date for the purpose of house property, share or securities, it is the value of the asset so acquired which is to be included in the net wealth of the individual and not the cash originally transferred [Section 4(1)(a)].

(b) Upto assessment year 1992-93, where the value of any assets is to be included in the net wealth of an individual by virtue of section 4(1)(a) or section 4(1A), a deduction will be allowed from such value in respect of any debts owing on the valuation date by the transferee in so far as such debts are referable to such transferred assets [Section 4(3)(a)].

(8) Interest of an assessee in a firm or an association of persons:

[Section 4(1)(b) as amended w.e.f. 1-4-1989]

The value of the interest in the assets¹¹ of the firm or association of an assessee who is a partner in a firm or a member of an association of persons determined in the manner laid down in Rules 15 and 16 of Schedule III (Refer page 231) will be included in the net wealth of the assessee.

Where a minor is admitted to the benefits of partnership, the interest of such minor in the firm determined in the manner laid down in Rules 15 and 16 of Schedule III will be included:

(a) upto assessment year 1992-93, in the net wealth of that parent of minor whose net wealth (excluding interest of the minor in the firm) is greater,

(b) from assessment year 1993-94 and onwards, in the net wealth of the parent who is having greater net wealth or where the marriage of his parents does not subsist, in the net wealth of that parent who maintains the minor child in the previous year,

and where any such interest of minor is once included in the net wealth of either parent for any assessment year, any such interest in subsequent years will not be included in the net wealth of the other parent unless the Assessing Officer is satisfied, after giving that parent an opportunity of being heard, that it is necessary so to do.

(9) Conversion or transfer of separate property of an individual into Hindu undivided family property:

[Section 4(1A)]

Sub-section (1A) of section 4 provided that where an individual being a member of a Hindu undivided family converted his personal property into Hindu undivided family property after 31-12-1969, by throwing it in the common stock of the family, he was deemed to have transferred the converted property through the family, to the members of the family, for being held by them jointly. The whole of such converted property shall be deemed to belong to the individual and will be included in his net wealth.

Where an individual transfers his separate property, directly or indirectly, to the Hindu undivided family of which he is a member, for inadequate consideration, the value of such transferred property (even by way of gift) will be included in the net wealth of the individual.

In the event of partial or total partition of the Hindu undivided family, the shares attributable to the:

(a) spouse, or

(b) upto assessment year 1992-93, spouse, or minor child,

of the individual in the converted property will be included in the net wealth of the individual under the provisions of section 4(1).

(10) Partial partition:

[Section 20A]

With effect from 1-4-1980, partial partition of Hindu undivided families taking place after 31st December, 1978 will not be recognised.

Where any such claim is made before the Assessing Officer that a partial partition of the Hindu undivided family which has hitherto been assessed as undivided has taken place after 31st December, 1978, such family will continue to be liable to be assessed under the Wealth-tax Act as if no such partial partition had taken place.

Further, each member or group of members of such family immediately before such partial partition and also the family itself will be jointly and severally liable for the tax, penalty, interest, or any other sum payable under this Act by the family in respect of any period, whether before or after the partial partition. The several liability of any member or group of members will, however, be computed according to the portion of the joint family property allotted to him or it at such partial partition.

For the purposes of section 20A, "partial partition" shall have the meaning assigned to it in clause (b) of the Explanation to section 171 of the Income-tax Act (refer page 54).

The provisions of section 20A are not applicable to a partial partition of a separate property converted into Hindu undivided family property after 31-12-1969 discussed under preceding item (9) on page 247.

- (11) *Tax exemption in respect of certain transferred assets which are includible in the assessee's net wealth under section 4(1)(a) and 4(1A):*

[Section 4(3)]

Upto assessment year 1992-93, the value of any assets transferred by an individual to the categories of persons mentioned in the sub-clauses of section 4(1)(a) and 4(1A) is included in the net wealth of the individual, the amount of the debts owing by the transferee on the valuation date in respect of such assets is to be allowed as a deduction. Likewise, such individual (i.e., the transferor) will also be entitled to exemptions mentioned in section 5 in so far as they are referable to such transferred assets. Section 4(3) has been omitted w.e.f. 1-4-1993 (assessment year 1993-94 and onwards).

- (12) *Section 4(1)(a) not applicable to assets transferred by an individual before 1-4-1956:*

[Section 4(4)]

The provisions of section 4(1)(a) are not applicable in respect of assets transferred by an individual before 1-4-1956 and the value of the assets so transferred shall not be included in his net wealth.

- (13) *Gift of money by mere book entries without actual delivery of money:*

[Section 4(5A)]

Section 4(5A) of the Act provides that where a gift of money is made by mere book entries and it is not proved to the satisfaction of the Assessing Officer that there was actual delivery of the money at the time when the book entries were made, the value of such gift will be included in the net wealth of the donor.

- (14) *Tax treatment of members of co-operative housing societies:*

[Section 4(7)]

A member of a co-operative housing society to whom a building or part of a building (i.e., flat) has been allotted, will be deemed to be the owner of such building or flat as the case may be.

EXEMPTION IN RESPECT OF CERTAIN ASSETS:

[Section 5]

Section 5 of the Wealth-tax Act, 1957 enumerates various assets which are wholly or partially exempt from wealth-tax:

(A) Assets wholly exempt:

(i) FROM ASSESSMENT YEAR 1993-94 AND ONWARDS:

Upto assessment year 1992-93, various types of assets [as discussed in sub-item (ii) & item (B) hereafter] were wholly or partially exempt under the then section 5. From assessment year 1993-94 and onwards, in view of the revised definition of the term 'asset' in section 2(ea) [for details, refer item (7) (A) on page 239], barring the following all other exemptions have been withdrawn:

- (1) Property held under trust or other legal obligation for any public purpose of a charitable or religious nature in India [Section 5(i)].

Exemption under this clause will not be allowed to the trust carrying on business unless—

- (i) the business income of the trust is exempt under section 11(4A) of the Income-tax Act; or
(ii) the business is carried on by an institution, fund or trust referred to in clauses (22) or (22A) or (23B) or (23C) of section 10 of the Income tax Act.

- (2) The interest of the assessee in the coparcenary property of any Hindu undivided family of which he is a member subject to the condition that provisions of section 4(1A) of the Wealth-tax Act are not applicable [Section 5(ii)].

- (3) One residential building in the occupation of ex-ruler [Section 5(iii)].

- (4) Heirloom jewellery of ex-ruler [Section 5(iv)].

- (5) Exemption will be allowed in respect of moneys and the value of assets brought into India, or the value of assets acquired out of such moneys¹² brought into India, by persons of Indian origin or a citizen of

12. Refer footnote No. 16 on page 250.

India, in cases where such persons return to India with the intention of permanently residing therein. This exemption will be available for seven successive assessment years commencing with the assessment year next following the date on which such person returns to India.

Moneys standing to the credit of such person in a Non-resident (External) Account in any bank in India in accordance with the Foreign Exchange Regulation Act, 1973 and any rules made thereunder, on the date of his return to India, shall be deemed to be moneys brought by him into India on that date [Section 5(v) & Explanation 2 to section 5(v)].

(6) From assessment year 1994-95 and onwards, one house or part of a house belonging to an individual or a Hindu undivided family [Section 5(vi)].

Note: In my opinion, circulars referred to in the notes appearing under item (B)(i) on page 251 will also apply to section 5(vi) as the provisions contained in the then section 5(1)(iv) are the same as in the new section 5(vi).

Sub-sections (1A) to (4) of section 5 have been omitted w.e.f. 1-4-1993 (assessment year 1993-94 and onwards). This is consequent to increase in basic exemption to Rs. 15,00,000 and the restricted definition of the term assets in section 2(ea).

(ii) UPTO ASSESSMENT YEAR 1992-93:

Assets which are exempt from wealth-tax under section 5(1) of the Wealth-tax Act are listed separately on pp. 234-237. However, some of the important exemptions are discussed below:

(1) Property held under trust or other legal obligation for any public purpose of a charitable or religious nature in India [Section 5(1)(i)].

Exemption under this clause will not be allowed to the trust carrying on business unless—

(i) the business income of the trust is exempt under section 11(4A) of the Income-tax Act; or

(ii) the business is carried on by an institution, fund or trust referred to in clauses (22) or (22A) or (23B) or (23C) of section 10 of the Income-tax Act.

(2) The interest of the assessee in the coparcenary property of any Hindu undivided family of which he is a member subject to the condition that provisions of section 4(1A) of the Wealth-tax Act are not applicable [Section 5(1)(ii)].

(3) The amount of any fee due to an assessee who is carrying on a profession (i.e., legal, medical, engineering or architectural profession or the profession of accountancy, or any other profession as may be notified by the Central Government) will be exempt from wealth-tax if such assessee maintains books of account on the cash system of accounting [Section 5(1)(xa)].

(4) Investment in Capital Investment Bonds is exempt provided the Bonds are owned by a person, being an individual or a Hindu undivided family, from the date on which he or it subscribed to the Bonds or for a period of at least six months ending with the relevant valuation date, whichever is shorter [Section 5(1)(xvii) read with section 5(3)(aa)].

(5) Investment in notified debentures¹³ of a public sector company is exempt provided the debentures are owned by a person, being an individual or Hindu undivided family, from the date on which he or it subscribed to the debentures or for a period of at least six months ending with the relevant valuation date, whichever is shorter [Section 5(1)(xviii) read with section 5(3)(aa)].

However, exemption in respect of debentures which are sold by a public sector company on or after 1-6-1988 will be subject to the overall monetary ceiling of Rs. 5,00,000 [Section 5(1A) read with 2nd proviso to section 5(1A)].

(6) Investment in notified Relief Bonds (i.e., 9% Relief Bonds, 1987) is exempt provided Relief Bonds are owned by a person, being an individual or a Hindu undivided family, from the date on which he or it subscribed to Relief Bonds or for a period of at least six months ending with the relevant valuation date, whichever is shorter [Section 5(1)(xvii) read with section 5(3)(aa)].

(7) Any deposits made under the National Savings Scheme referred to in section 80CCA of the Income-tax Act [Section 5(1)(xxv)].

W.e.f. 1-10-1991, any deposits made under any scheme referred to in section 80CCA(1)(i) of the I.T. Act (including National Savings Scheme) [Amended Sec. 5(1)(xxv)].

(8) The right or interest of the assessee in any annuity plan of the Life Insurance Corporation referred to in section 80CCA(1)(ii) of the I.T. Act [Section 5(1)(xxvi)].

(9) The value of equity shares in any company of the type referred to in section 45(d) established with the main object of carrying on the business of manufacture or production of any one or more of the articles or things specified in the list in the Ninth Schedule to the Income-tax Act is exempt for a period of five successive assessment years

13. List of notified debentures which are sold by a public sector company before 1-6-1988 and exempt u/s. 5(1)(xviii) without monetary ceiling of Rs. 5,00,000 is given on page 239 of I.T.R. 1991-92 (53rd Year of Publication).

commencing from the assessment year next following the date of issue of such shares. It may be noted that the exemption will be available only where such equity shares form part of the initial issue of equity share capital made by the company after 28-2-1975 [Section 5(1)(xxa)]. List of such equity shares is given on page 258.

(10) The value of one or more dwelling units (each having a plinth area of 80 square metres or less) used solely for the residence of persons employed by the assessee in any plantation or industrial undertaking belonging to the assessee is exempt from wealth-tax [Section 5(1)(xxxa)].

(11) Exemption will be allowed for five successive assessment years next following the date on which the construction of one or more residential dwelling unit or units is completed provided the plinth area of each of such dwelling unit does not exceed 80 square metres and the construction of such unit has begun on or after 1-4-1976 [Section 5(1)(ivc)].

(12) Investments made in specified assets¹⁴ by an individual being non-resident Indian citizen and foreign national of Indian origin¹⁵ and subscribed to in convertible foreign exchange in accordance with the provisions of the Foreign Exchange Regulation Act, 1973 [Section 5(1)(xvic)].

(13) Exemption will be allowed in respect of moneys and the value of assets brought into India, or the value of assets acquired out of such moneys¹⁶ brought into India, by persons of Indian origin or a citizen of India, in cases where such persons return to India with the intention of permanently residing therein. This exemption will be available for seven successive assessment years commencing with the assessment year next following the date on which such person returns to India.

Moneys standing to the credit of such person in a Non-resident (External) Account in any bank in India in accordance with the Foreign Exchange Regulation Act, 1973 and any rules made thereunder, on the date of his return to India, shall be deemed to be moneys brought by him into India on that date [Section 5(1)(xxxiii) & Explanation 2 to section 5(1)(xxxiii)].

(14) Exemption will be allowed in the case of non-resident Indian citizens in respect of the value of equity shares owned by them in companies engaged in the manufacture or production of the articles or things specified in Schedule II to the Wealth-tax Act or which are certified by the prescribed authority to have undertaken the export of a specified percentage of the total production. This exemption will be available where such shares form part of the initial issue of equity share capital made by the company after 31-3-1976 or the shares form part of an issue of equity share capital certified by the prescribed authority to have been made by the company after the said date for the purposes of expansion or diversification of its industrial undertaking [Section 5(1)(xxxiv)].

(15) Investment in the bonds specified in section 10(15)(iid) of the Income-tax Act is exempt in the case of an individual who is a non-resident Indian [as defined in section 115C(e) of the Income-tax Act]. It will also be exempt in the case of nominee or survivor of such individual or donee who receives the said bonds from such individual [Section 5(1)(xvig)].

(16) Deposits made by any retiring employee of Central Government or a State Government or a public sector company, under the scheme referred to in section 10(15)(iv)(i) of the Income-tax Act, is fully exempt without any monetary limit [Section 5(1)(xxviic)].

(B) Assets partially exempt¹⁷:

(i) *One house or part of a house belonging to an assessee:*

[Section 5(1)(iv)]

Assessment years 1986-87 to 1992-93¹⁷:

Separate exemption of Rs. 2 lakhs available in respect of one house or part of a house for assessment year 1985-86 has been replaced by a consolidated exemption limit upto a maximum amount of Rs. 5 lakhs in respect of specified financial assets mentioned in section 5(1A) including exemption in respect of one house or part of a house referred to in section 5(1)(iv).

14. Specified assets in relation to assessment year 1984-85 and onwards are:

- (i) Shares in an Indian Company.
- (ii) Debentures issued by an Indian company which is not a private Company.
- (iii) Deposits with an Indian company which is not a private company.
- (iv) Any security of Central Government as defined in section 2(2) of the Public Debt Act.
- (v) Such other assets as the Central Government may specify in this behalf by notification.

15. A person shall be deemed to be of Indian origin if he or either of his parents or grand-parents was born in undivided India.

16. In the case of a person referred to above, the moneys and the value of assets brought by him into India and the value of the assets acquired by him out of such moneys *within one year immediately preceding the date of his return and at any time thereafter* will qualify for exemption. The exemption will, however, be limited to a period of seven successive assessment years commencing with the assessment year next following the date on which such person returned to India.

17. From assessment year 1993-94 and onwards, assets referred to in item (A)(i) on page 248 are wholly exempt from Wealth-tax.

To illustrate, if the investment in respect of shares, bank deposits, units, etc. is Rs. 1,45,000 and the value of residential house is Rs. 3,50,000, then, the exemption available under section 5(1A) will be Rs. 4,95,000 (Rs. 1,45,000 + Rs. 3,50,000).

NOTES: (1) Exemption u/s. 5(1)(iv) is available even for houses used for commercial purposes [Vide Circular letter F. No. 317/23/73-W.T. dt. 29-7-1973].

(2) Where a property is jointly held in co-ownership, each of the co-owners will be entitled to claim exemption u/s. 5(1)(iv) subject to monetary ceiling limit [Vide Board's F. No. 10/69/69-W.T., dt. 26-8-1969].

(ii) *Rights under any patent or copyright belonging to the assessee:*

[Section 5(1)(v)]

This clause provides that the rights under any patent or copyright will be exempt from wealth-tax only in the hands of the inventor or author thereof and not in the hands of any other person who has acquired them under a contract or by way of inheritance or otherwise.

(iii) *The right or interest of the assessee in any policy of insurance before the moneys covered by the policies become due and payable to the assessee:*

[Section 5(1)(vi)]

This exemption will be available only if the premia in respect of an insurance policy are payable over a period of 10 years or more. A proportionate exemption will be available in cases where the premia are payable over a period of less than 10 years.

To illustrate, where premia on a policy are payable for a period of 7 years, only 7/10th of the assessee's right in the insurance policy will be exempt and the balance will be included in his net wealth.

(iv) *Exemption of personal effects such as furniture, household, utensils and other articles intended for personal use of the assessee:*

[Section 5(1)(viii)]

(a) *FURNITURE, UTENSILS OR OTHER ARTICLES INTENDED FOR PERSONAL OR HOUSEHOLD USE:*

These are fully exempt from wealth-tax Act. However, the exemption will not be available in respect of furniture, utensils or other articles made wholly or partly or which contain (whether by way of embedding covering, or otherwise), gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals. Jewellery which includes ornaments made of gold, silver, platinum or any other precious metal, though intended for personal use, does not qualify for exemption.

(b) *CONVEYANCE OWNED BY THE ASSESSEE:*

"Conveyance" means any motor car or other mechanically propelled vehicle, aircraft or boat. A "conveyance" owned by an assessee falls within the purview of section 5(1)(viii) and is exempt from wealth-tax to the extent the value thereof does not exceed Rs. 75,000 [2nd proviso to section 5(1)(viii)].

(v) *Tools and instruments necessary for carrying on profession or vocation:*

[Section 5(1)(x)]

The value of tools and instruments necessary to enable the assessee to carry on his profession or vocation is exempt upto Rs. 50,000.

(vi) *Exemption in respect of certain investments:*

[Section 5(1)(xvi)]

The nature of the financial assets which qualify for exemption u/s. 5(1)(xvi) within the overall monetary limits as mentioned in section 5(1A) is given on page 235. The overall monetary ceiling of exemption of such assets is Rs. 5,00,000.

(vii) *Shares in any Indian company:*

[Section 5(1)(xxiii)]

Shares in Indian company other than those specified in section 5(1)(xxa) (Refer sub-item (9) of item (ii) on page 249) are exempt in the hands of individual and Hindu undivided family. The exemption is subject to overall monetary ceiling of Rs. 5,00,000 [Refer item (xii) on page 252] and minimum period of holding of 6 months ending with the valuation date [Refer item (xiii) on page 253].

(viii) *Shares in, deposit with, a co-operative society/co-operative housing society:*

[Section 5(1)(xxviii), (xxix) & (xxx)]

The above mentioned assets are exempt. Overall monetary ceiling of Rs. 5,00,000 [Refer item (xii) on page 252] and minimum period of holding of 6 months ending with the valuation date [Refer item (xiii) on page 253] will apply to shares in any co-operative society and deposits with a co-operative society (other than co-operative housing society) made by a member thereof. Such limits will not apply to deposits with a co-operative housing society made by a member thereof to whom a building or part thereof is allotted or leased under a house building scheme of the society and the deposit is in accordance with such scheme.

(ix) *Deposits with housing/town development authority, etc.:*

[Section 5(1)(xxviib)]

Such deposits are exempt subject to overall monetary ceiling of Rs. 5,00,000 [Refer item (xii) hereafter] and minimum period of holding of 6 months ending with the valuation date [Refer item (xiii) on page 253].

(x) *Deposits made with the National Housing Bank:*

[Section 5(1)(xxviid)]

Such deposits are exempt subject to overall monetary ceiling of Rs. 5,00,000 [Refer item (xii) hereafter]. There is no minimum period of holding (i.e., 6 months) for claiming this exemption.

(xi) *Exemption of assets forming part of an industrial undertaking:*

[Section 5(1)(xxxi) & 5(1)(xxxii)]

The value, as determined in the prescribed manner, of assets (not being land or building or any rights therein) forming part of an industrial undertaking belonging to the assessee, as also the value of his interest in the assets which form part of an industrial undertaking belonging to a firm or association of persons of which the assessee is a partner or a member is exempt from wealth-tax subject to an overall limit of Rs. 5,00,000 as specified in section 5(1A) in respect of the financial assets.

Under the Explanation to section 5(1)(xxxi) an "industrial undertaking" means an undertaking engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

(xii) *Exemption of specified financial assets upto an aggregate value of Rs. 5,00,000¹⁸:*

[Section 5(1A)]

For ready reference, I give below a chart of the financial assets specified in section 5(1A) which qualify for exemption upto monetary ceiling of Rs. 5,00,000 in respect of assessment years 1991-92 & 1992-93:

Section 5(1) Clause No.	Nature of financial asset which is exempt within the overall monetary limit of Rs. 5,00,000
(iv)	One house or part of a house.
(xvi)	10-year treasury certificates, 15-year annuity certificates, deposits in post office savings banks, post office cash certificates, post office national savings certificates, post office national plan certificates, 12 year national plan savings certificates, 10-year defence deposit certificates and 12-year national defence certificates.
(xvie)	Notified debentures which are sold by a public sector company on or after 1-6-1988.
(xxii)	Securities of the Central Government or State Government.
(xxiii)	Shares in Indian companies.
(xxiv)	Debentures issued by co-operative societies or notified institutions.
(xxiva)	Units of a Mutual Fund specified in section 10(23D) of the Income-tax Act.
(xxv)	Units in the Unit Trust of India.
(xxva)	Deposits under National Deposit Scheme.
(xxvi)	Deposits in banking companies including deposits made under C.D.S. (I.T.P.) Act & co-operative banks including land mortgage and land development banks.
(xxvii)	Deposits with an approved financial corporation which is engaged in providing long-term finance for industrial development in India. Deposits with approved public companies formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes.
(xxviiia)	Deposits with the Industrial Development Bank of India.
(xxviib)	Deposits with any authority created by Central or State Government for the purpose of providing housing accommodation or for planning, development or improvement of cities, towns & villages, or for both.
(xxviid)	Deposits made with the National Housing Bank.
(xxviii)	Shares in any co-operative society.
(xxix)	Deposits with a co-operative society (other than co-operative banks and housing society).
(xxxi) & (xxxii)	The value, as determined in the prescribed manner, of the interest of the assessee in the assets (not being land or building or any rights therein) forming part of an industrial undertaking belonging to the assessee or belonging to a firm or an association of persons of which the assessee is a partner or, as the case may be, member.

The monetary ceiling of Rs. 5,00,000 is not, however, applicable to:

1. Cumulative Time Deposits in Post Office Savings Bank and the amount standing to the credit of an assessee in any provident fund maintained by his employer or which is a recognised provident fund or any provident fund set up by the Central Government viz. Public Provident Fund Scheme, 1968.
2. Investments in "Gold Bonds, Capital Investment Bonds, notified Relief Bonds (i.e. 9% Relief Bonds, 1987), Special Bearer Bonds, 1991, notified debentures of a public sector company¹⁹", deposits made under the National Savings Scheme referred to in section 80CCA of the Income-tax Act & the right or interest of the assessee in any annuity plan of the Life Insurance Corporation referred to in section 80CCA(1)(ii) of the Income-tax Act, and
3. Shares in new industrial companies referred to in section 5(1) (xxa).

Additional exemption in respect of deposits under National Deposit Scheme:

ASSESSMENT YEARS 1991-92 & 1992-93²⁰.

The 3rd proviso to section 5(1A) provides that if the overall value of financial assets under clauses (xv), (xvi), (xxii) to (xxv), (xxva) (xxvi), (xxvii), (xxviii), (xxvib), (xxviid), (xxviii), (xxix), (xxxi) & (xxxii) is of Rs. 5,00,000 or more, an additional exemption in respect of deposits under National Deposit Scheme [Clause (xxva)] will be allowed subject to a maximum of Rs. 25,000.

(xiii) Exemption available where assets are held for a certain period²⁰:

[Section 5(3)]

The exemption in respect of investment in the specified financial assets upto an aggregate value of Rs. 5,00,000, will be available only in respect of such assets as are held for a period of atleast six months ending with the valuation date. Consequently, in the case of bank deposits, only the lowest credit balance during the last six months ending with the valuation date and not the balance as on the valuation date will qualify for exemption.

The minimum period of six months holding from the valuation date does not apply to:

- (1) shares in Indian companies which were first issued by the company through prospectus [Section 5(3)(a)],
- (2) Capital Investment Bonds referred to in clause (xvi) subscribed to by the assessee [Section 5(3)(aa)],
- (3) Notified debentures of a public sector company referred to in clause (xvii) subscribed to by the assessee [Section 5(3)(aa)],
- (4) Notified Relief Bonds (i.e., 9% Relief Bonds, 1987) referred to in section 5(1)(xvi) subscribed to by the assessee [Section 5(3)(aa)],
- (5) deposits under: (a) National Deposit Scheme referred to in clause (xxva) & (b) the National Savings Scheme referred to in clause (xxvb) [Section 5(3)],
- (6) right or interest of the assessee in any annuity plan referred to in clause (xxvc) [Section 5(3)],
- (7) one house or part of a house referred to in clause (iv) [Section 5(3)], and
- (8) deposits with National Housing Bank referred to in clause (xxviid) [Section 5(3)].

The exemption in respect of any specified financial asset will not be denied on the ground that it was held for less than six months ending with the valuation date if such asset has been acquired by the assessee by conversion of, or in exchange for, or with the proceeds of any other asset exempt from wealth-tax, within a period of 60 days of the conversion or exchange [Explanation to section 5(3)]. Even if a house [exempt under section 5(1)(iv)] is sold and converted into specified financial asset within a period of 60 days of sale, exemption will be available even though the said financial asset is held for a period of less than 6 months, provided the total period of holding of the original asset (house in this case) and the said financial asset exceeds 6 months.

(xiv) Exemption available to a partner/member in respect of exempt assets owned by the firm/association of persons:

[Section 5(4)]

W.e.f. 1-4-1989 (assessment years 1989-90 to 1992-93²⁰), where the assessee is a partner of a firm or member of an association of persons (AOP) and the firm/AOP owns any assets which are exempt u/s. 5(1), then, value of his interest in the firm/AOP shall be deemed to include the value of a part of each such asset of the firm/AOP in the same proportion in which he is entitled to share profits of the firm/AOP and exemption u/s. 5(1) will be allowed to him in respect of such asset on the basis of such proportionate value.

LIABILITY TO ASSESSMENTS IN SPECIAL CASES

(1) Charitable or religious trust:

(Section 21A)

Where any property is held under trust for any public purpose of a charitable or religious nature in India, tax shall be recoverable from the trustee in respect of the property held by him under trust:

19. Exemption in respect of such notified debentures which are sold by a public sector company on or after 1-6-1988 will be subject to the overall monetary ceiling of Rs. 5,00,000 u/s. 5(1A) read with 2nd proviso to section 5(1A).

20. From assessment year 1993-94 and onwards, assets referred to in item (A) (i) on page 248 are wholly exempt from Wealth-tax.

- (a) at the maximum marginal rate²¹ (without any initial exemption limit stated in the rate schedule), upto assessment year 1992-93,
- (b) at the flat rate of 1% on net wealth exceeding Rs. 15,00,000, from assessment year 1993-94 and onwards, if the trust forfeits exemption by reason of any of the following factors, namely:
- (i) any part of the trust's property or any income of the trust, including income by way of voluntary contributions is used or applied, directly or indirectly, for the benefit of any person referred to in section 13(3) of the Income-tax Act, e.g., the settlor, the trustee, their relatives, etc.; or
 - (ii) any part of the income of the trust, created on or after 1st April, 1962, including income by way of voluntary contributions, enures, directly or indirectly, for the benefit of any person referred to in section 13(3) of the Income-tax Act, or
 - (iii) any funds of the trust are invested or deposited or any shares in a company are held by the trust, in contravention of the investment pattern for trust funds laid down in section 13(1) (d) read with section 11(5) of the Income-tax Act.

Upto assessment year 1992-93, in the above cases, where the maximum marginal rate²¹, is applicable, the trustees of the charitable & religious trusts will not be entitled to exemption under any of the clauses of section 5(1) of the Wealth-tax Act.

However, the provisions of section 21A will not apply in the following cases:

- (1) where any part of such property or any income of such trust is used or applied for the benefit of any person referred to in section 13(3) of the Income-tax Act, in compliance with a mandatory term of the trust (created before 1-4-1962), no wealth tax shall be leviable since the provisions of section 21A(i) do not apply.
- (2) upto assessment year 1992-93, where the investment by the trust, in a concern in which the author or trustee, etc. have substantial interest, does not exceed 5% of the capital of the said concern, the exemption will be forfeited in respect of such investment alone and other assets of the trust will qualify for exemption.
- (3) where the charitable and religious trust is entitled to exemption from income-tax in respect of their income under clauses (21) or (22) or (22A) or (23B) or (23C) of section 10 of the Income-tax Act.

(2) Taxation of the net wealth of private discretionary trusts²²:

[Section 21(4)]

Upto assessment year 1992-93²², section 21(4) provides as under:

- (1) a discretionary trust (i.e., the trust in which the shares of beneficiaries are indeterminate or unknown) will be liable to wealth-tax at the flat rate of 3% (without any initial exemption limit stated in the rate schedule) or the appropriate higher rate of wealth-tax applicable to resident individual who is a citizen of India, whichever course is more beneficial to the revenue;
- (2) the trust will be regarded as a discretionary trust and assessed to wealth-tax in the manner stated above unless the beneficiaries and their shares are expressly stated in the instrument of trust or wakf deed, as the case may be, and are ascertainable as such on the date of such instrument or deed;
- (3) the wealth-tax will be leviable at the rates applicable to an individual who is a citizen of India and resident in India subject to the fulfilment of the conditions given hereunder:
 - (a) none of the beneficiaries has net wealth exceeding the amount not chargeable to wealth-tax and none of such beneficiaries is a beneficiary under any other trust; or
 - (b) in the case of a trust created by will, it is the only trust created under "will".

In cases where a person has created more than one discretionary trust by "will", the whole of the net wealth of the trust without taking into account the initial exemption will be taxed either at the flat rate of 3% or at the Scheduled rates applicable to a resident individual who is a citizen of India, whichever course is more beneficial to the revenue.

However, the flat rate of 3% is not applicable in cases where the assets are held by the trustees on behalf of a provident fund, superannuation fund, gratuity fund, pension fund or any other fund, created bonafide by a person carrying on a business or profession for the benefit of employees of such business or profession.

Further, while computing the net wealth of such discretionary trusts, exemptions available under specified clauses²³ of sub-section (1) of section 5 will not be allowed.

(3) Taxation of Oral trusts²⁴:

[Section 21(4A)]

W.e.f. from 1-4-1981, a trust which is not declared by a duly executed instrument in writing shall be deemed to be a trust declared by a duly executed instrument in writing if a statement in writing, duly signed by the trustee or trustees

21. The maximum marginal rate of wealth-tax, for assessment years 1991-92 & 1992-93 is 2%.

22. Provisions of section 21 are not applicable in relation to assessment year 1993-94 and subsequent years vide newly inserted sub-section (6) in section 21 by the Finance Act, 1992.

23. Clauses are (xv), (xvi), (xxii), (xxiii), (xxiv), (xxv), (xxvi), (xxvii), (xxviii) & (xxix) of sub-section (1) of Section 5 [Explanation 2 to section 21(4)].

24. Refer footnote No. 22 above.

setting out the purposes of the trust, particulars as to the trustee or trustees, beneficiaries and the trust property, is forwarded to the Assessing Officer within the specified time limit. Where the trust has been declared before 1st June, 1981, the specified time limit will be three months from that date and in any other case, within three months from the date of the declaration of the trust. Such trust will be treated as an oral trust if the said statement is not furnished within the specified time limit.

Where assets chargeable to wealth-tax are held by a trustee of an oral trust, the wealth-tax will be levied and recovered from such trustee at the flat rate of 3% or at the rates applicable to a resident individual who is a citizen of India, whichever course is more beneficial to the revenue. Further, such an oral trust will not be eligible for exemption in respect of assets referred to in specified clauses²⁵ of sub-section (1) of section 5.

(4) Association of persons:

[Section 21AA]

W.e.f. 1-4-1981, where assets chargeable to wealth-tax are held by an association of persons and the individual shares of the members of the association in the income or assets or both are indeterminate or unknown (on the date of formation of the association or at any time thereafter) the net wealth of such association will be taxed: (a) for assessment years 1991-92 & 1992-93, at the maximum marginal rate i.e., the rate of wealth-tax applicable in relation to the highest slab of wealth in the case of an individual as specified in Part I of Schedule I, and (b) from assessment year 1993-94 and onwards, at the flat rate of 1% of net wealth exceeding Rs. 15,00,000. Further, upto assessment year 1992-93, such an association of persons will not be eligible for exemption in respect of assets referred to in specified clauses²⁶ of sub-section (1) of section 5.

The provisions of this section are not applicable to a company or a co-operative society and society registered under the Societies Registration Act, 1860.

(5) Taxation of residuary wealth in the hands of the trustees²⁷:

[Section 21(1A)]

Upto assessment year 1992-93²⁷, where the value of corpus of the trust is greater than the aggregate value of life interest and interest of remainderman, such excess value will be subjected to wealth-tax under section 21(1A) in the hands of the trustees as if such excess value were the net wealth of an individual who is a citizen of India and resident in India and will be liable to wealth-tax at the flat rate of 3% or at the rates applicable to a resident individual who is a citizen of India, whichever course is more beneficial to the revenue. Refer illustration on page 249 of I.T.R.R. 1991-92 (53rd Year of Publication).

(6) Wealth-tax in the case of companies including closely held-companies:

From assessment year 1993-94 and onwards:

Under section 3(2) of the Wealth-tax Act, all companies will be charged to wealth-tax at the flat rate of 1% of net wealth exceeding Rs. 15,00,000. Wealth-tax is chargeable in respect of the assets specified in section 2(ea) as detailed in item (7)(A) on page 239. Provisions contained in the Wealth-tax Act will apply to companies. For example, refer page 226.

(7) Wealth-tax in the case of closely-held companies²⁸:

(Section 40 of the Finance Act, 1983²⁸)

Upto assessment year 1992-93²⁹:

The levy of wealth-tax in the case of closely-held company on its net wealth comprised of specified assets²⁹ wherever located belonging to the company is at a flat rate of 2% without any exemption limit.

The wealth-tax is leviable in the case of closely-held company, not being a company in which the public are substantially interested within the meaning of section 2(18) of the Income-tax Act.

The wealth-tax is leviable on the company's net wealth being market value of specified assets²⁹ [as detailed in section 40(3) of the Finance Act, 1983] belonging to it on the valuation date less the debts which are secured on, or which have been incurred in relation to, the specified assets. However, where any debt secured on any specified asset belonging to the company is incurred for the benefit of any other person, or is not represented by any specified asset belonging to the company, such debt will not be taken into account.

Upto assessment year 1991-92, the value of the specified assets shall be estimated, to be the price which in the opinion of the Assessing Officer, it would fetch if sold in the market on the valuation date. However, for assessment year 1992-93, the

25. Clauses are (xv), (xvi), (xxii), (xxiii), (xxiv), (xxv), (xxvi), (xxvii), (xxviii) & (xxix) of sub-section (1) of section 5 [Explanation 2 to section 21(4)].

26. Clauses are (xv), (xvi), (xxii), (xxiii), (xxiv), (xxv), (xxvi), (xxvii), (xxviii) & (xxix) of sub-section (1) of section 5 [Explanation to section 21AA].

27. Refer footnote No. 22 on page 254.

28. Section 40 of the Finance Act, 1983 is omitted w.e.f. 1-4-1993 (assessment year 1993-94 and onwards). All companies will be charged to wealth-tax at the flat rate of 1% of net wealth exceeding Rs. 15,00,000. For further details, refer item (6) above.

29. For the list of specified assets on which wealth-tax is leviable: (a) upto assessment year 1991-92, refer page 245 of I.T.R.R. 1991-92 (53rd Year of Publication), and (b) for assessment year 1992-93, refer page 224 of I.T.R.R. 1992-93 (54th Year of Publication).

value of the specified assets shall be either its value as on valuation date determined as per rules in Schedule III to the Wealth-tax Act or its value, disclosed in the balance-sheet of the company, on the valuation date, whichever is higher. All the provisions of the Wealth-tax Act [except the exemptions in respect of assets listed u/s. 5, (upto assessment year 1991-92) valuation of business assets [section 7(2)(a)], exemption in respect of companies referred to in section 45(d) and the rate of wealth-tax] will apply as if the provisions contained in section 40 of the Finance Act, 1983 formed part of the Wealth-tax Act.

For example, refer page 199 of I.T.R.R. 1992-93 (54th Year of Publication).

**MISCELLANEOUS:
(1) Return of wealth:**

(Section 14)

The notes given hereunder relate to furnishing the return of net wealth for the assessment year 1989-90 and subsequent years.

Where the net wealth of an assessee, including the net wealth of any other person in respect of which he is assessable (for instance u/s. 4), exceeds the taxable limit, he has to voluntarily file the return of net wealth under section 14(1) on or before the due date prescribed under section 139(1) of the Income-tax Act. The due dates for filing the return of income under section 139(1) for various categories of assessee, are as under:

(A) In relation to assessment year 1994-95 and subsequent years:

- | | |
|---|------------------|
| (1) Where the assessee is a company | By 30th November |
| (2) Where the assessee is a person, other than a company: | |
| (a) (1) who is required to get his accounts audited under the Income-tax Act or any other law, or (2) where the report of an accountant is required to be furnished u/s. 80HHC or 80HHD of the Income-tax Act | By 31st October |
| (b) deriving income from business or profession and is not required to get his accounts audited as stated in 2(a) above | By 31st August |
| (3) In any other case other than 1, 2(a) & 2(b) above | By 30th June. |

(B) In relation to assessment years 1989-90 to 1993-94:

- | | |
|--|------------------------------|
| (1) Where the assessee is a company | By 31st December |
| (2) Where the assessee is a person, other than a company: | |
| (a) (1) who is required to get his accounts audited under the Income-tax Act or any other law or (2) upto assessment year 1992-93, in the case of a partner of a firm where the accounts of the firm are required to be so audited, or (3) where the report of an accountant is required to be furnished u/s. 80HHC or 80HHD of the Income-tax Act | By 31st October |
| (b) deriving income from business or profession and is not required to get his accounts audited as stated in 2(a) above | By 31st August ³⁰ |
| (3) In any other case other than 1, 2(a) & 2(b) above | By 30th June ³⁰ . |

The above dates are mandatory. The Assessing Officer does not have power to extend the due dates mentioned above. Assessing Officer will not issue notice under section 14, if the assessee has not filed a return of net wealth. But he may issue such a notice under section 16(4)(i), if the assessee has not filed a return within the time allowed as above. To illustrate, if the return of net wealth for the assessment year 1994-95 is not filed by 30-6-1994, by an assessee falling under (3) above, Assessing Officer may issue notice under section 16(4)(i) to the assessee to furnish the said return, on or after 1-7-1994. The return of net wealth which shows net wealth below the maximum amount which is not chargeable to tax shall be deemed never to have been furnished.

Where an assessee files return of net wealth after the due date mentioned above, interest at the rate of 2% for every month or part of a month on the amount of tax payable on the net wealth as determined u/s. 16(1)(i) or on regular assessment, will be levied for the period of delay i.e. from due date of furnishing the return to the date of furnishing the return. If the return is not furnished at all, the interest will be levied from the due date of furnishing the return to the date of completion of assessment u/s. 16(5). No penalty, as hitherto, is leviable for delay in furnishing the return [Section 17B].

Where a return has not been furnished within the time allowed under section 14(1) or under a notice issued under section 16(4)(i) or where it has been furnished but some omission or wrong statement is discovered therein, section 15 permits an assessee to file a return or a revised return, as the case may be, at any time before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

30. For assessment year 1991-92, the assessee who were required to file return by 30-6-1991/31-8-1991 are permitted to file the return, in either case, by 31-10-1991 [Vide F. No. 143/7/91-TPL dt. 6-6-1991. 190 ITR (St.) 31].

(2) Self-assessment:**(Section 15B)**

Under section 15B, where any tax is payable on the basis of the return of net wealth required to be furnished under sections 14 or 15 or 16(4)(i) or 17, then, such tax shall be paid before the filing of the return and the return shall be accompanied by proof of payment of such tax (i.e., self assessment challan). Interest, if any, payable for delayed filing of return of net wealth u/s. 17B, such interest upto the date of furnishing the return also should be paid alongwith self-assessment tax. Where the amount paid on self-assessment falls short of tax and interest payable on the basis of the return, the amount paid will be first adjusted against the interest and the balance, if any, against the tax payable.

For the failure to pay the self-assessment tax, the assessee would be deemed in default u/s. 15B(3). However, there is no provision to levy penalty for such default under substituted section 15B(3).

(3) Assessment procedure:**(Section 16)**

The assessment procedure under the Wealth-tax Act for assessment year 1989-90 and onwards is similar to that of Income-tax. Refer Sub-items (A) to (C) of item (ii) on pp. 153-155.

From assessment year 1989-90 and onwards, if after making the adjustments [Refer (1) to (3) of sub-item (A) on pp. 153-154] the net wealth exceeds the net wealth declared in the return, the Assessing Officer will levy an additional wealth-tax at the rate of 20% of the tax payable on such excess amount³¹ and specify such additional wealth-tax in the intimation to be sent to the assessee u/s. 16(1). If refund is due to the assessee in such cases, the refund will be reduced by the amount of such additional wealth-tax.

The additional wealth-tax will be increased or reduced, if the amount on which such additional wealth-tax was levied is increased or reduced in appeal or revision or rectification. It may be noted that the interest chargeable under section 17B is not payable on the amount of additional wealth-tax.

The revised return filed u/s. 15 will also be subject to additional wealth-tax u/s. 16(1B), on the same lines as in the case of income-tax as explained on page 155.

For failure to pay the demand made on regular assessment within 30 days from the date of receipt of the notice of demand, the assessee will be liable to pay interest u/s. 31(2) and penalty u/s. 32. Where the period of default in paying the regular demand commences before 31-3-1989 and ends after that date, the interest will be payable at the rate of 15% p.a. upto 31-3-1989 and thereafter at the rate of 1¼% for every month or part of a month.

(4) Time limit for completion of wealth-tax assessments or re-assessments:**(Section 17A)**

Section 17A prescribes the time limits for completion of assessments or re-assessments as under:

<i>Type of assessment</i>	<i>Time limit for completion of assessment or re-assessment</i>
(1) Regular assessment made u/s. 16 for assessment year 1989-90 and onwards	Two years from end of the relevant assessment year. For example, for assessment year 1994-95, the time limit is 31-3-1997.
(2) Assessment or re-assessment made u/s. 17 where the notice u/s. 17(1)(a) & 17(1)(b) is served relating to assessment year 1987-88 and onwards	Two years from the end of the financial year in which such notice was served.
(3) Fresh assessment is to be made in pursuance of an order u/s. 23 or 24 or 25 setting aside or cancelling an assessment was passed during the financial year ending on 31-3-1988 and onwards	Two years from the end of the financial year in which order u/s. 23 or 24 is received by, or the order u/s. 25 is passed by, the Chief Commissioner or Commissioner.

31. "Tax payable on such excess amount" means the difference between the tax on the net wealth (i.e. net wealth returned plus adjustments made) and the tax on net wealth as reduced by the amount of adjustments.

(5) Penalty for failure to furnish returns, to comply with notices and concealment of assets, etc.:

The penalty chart in respect of various defaults is given hereunder.

APPLICABLE FROM ASSESSMENT YEAR 1989-90 & ONWARDS:

<i>Nature of default</i>	<i>Penalty imposable</i>
Under Section 18(1)(b): Failure to comply with a notice under section 16(2) or 16(4)	Minimum penalty is Rs. 1,000 and maximum penalty is Rs. 25,000 for each such failure.
Under Section 18(1)(c): Concealing the particulars of any assets or furnishing inaccurate particulars of any assets or debts	Minimum penalty is 100% and maximum is 500% of the tax sought to be evaded (i.e. the difference between the tax on net wealth assessed and the tax on such assessed net wealth as reduced by the amount of concealed wealth).

- Notes:**
- (1) No penalty shall be imposable for default u/s. 18(1)(b) if assessee proves that there was reasonable cause for the failure referred to in that clause [Proviso to section 18(1)].
 - (2) No penalty is imposable u/s. 18(1)(a) for delay in furnishing the return of net wealth as the clause (a) of section 18(1) is omitted w.e.f. 1-4-1989. However, interest at the rate of 2% for every month or part of a month is payable u/s. 17B for delay in furnishing the return of net wealth.

**(6) Waiver or reduction of penalty:
(Section 18B)**

Under section 18B of the Wealth-tax Act, the Commissioner³² may reduce or waive the amount of penalty imposed or imposable on a person under section 18(1)(iii) for concealment of wealth, if he is satisfied that such person,—

(1) has, prior to the detection by the Assessing Officer, of the concealment of particulars of assets or of the inaccuracy of particulars furnished in respect of any asset or debt in respect of which the penalty is imposable, voluntarily and in good faith made full and true disclosure of such particulars; and

(2) has co-operated in any inquiry relating to the assessment and has either paid or made satisfactory arrangements for the payment of any tax or interest under the Wealth-tax Act.

List of equity shares of companies which qualify for exemption under section 5(1)(xxa) of the Wealth-tax Act:

<i>Name of the Company³¹</i>	<i>Exemption for Assessment years³⁴</i>	<i>Name of the Company³¹</i>	<i>Exemption for Assessment years³⁴</i>	<i>Name of the Company³¹</i>	<i>Exemption for Assessment year³⁴</i>
Alpha Drug India	.. 1991-92 to 1995-96	Kabra Extrusion Technik	.. 1990-91 to 1994-95	Rajasthan Telephone Ind. Ltd.	.. 1988-89 to 1992-93
Bharat Berg Ltd.	.. 1988-89 to 1992-93	K. G. Gluco Biols	.. 1989-90 to 1993-94	Rama Petrochemicals	.. 1987-88 to 1991-92
Chemcaps Ltd.	.. 1987-88 to 1991-92	Kirloskar Warner Swasey	.. 1987-88 to 1991-92	Rama Phosphates Ltd.	.. 1988-89 to 1992-93
Comet Steels Ltd.	.. 1987-88 to 1991-92	Konark Synthetics	.. 1990-91 to 1994-95	Raymond Synthetics	.. 1991-92 to 1995-96
Care Parenterals Ltd.	.. 1989-90 to 1993-94	Kovai Medical Centre	.. 1991-92 to 1995-96	Roadmaster Steel Strips	.. 1988-89 to 1992-93
DCL Polyesters	.. 1990-91 to 1994-95	Krimpek Synthetics Ltd.	.. 1988-89 to 1992-93	Safepack Polymers Ltd.	.. 1987-88 to 1991-92
Dadha Hewlett Ind. Ltd.	.. 1987-88 to 1991-92	Lohia Machinery Mfrs.	.. 1987-88 to 1991-92	Sanderson Industries	.. 1987-88 to 1991-92
Dewan Tyres	.. 1990-91 to 1994-95	Manali Petrochemicals	.. 1990-91 to 1994-95	Saw Pipes Ltd.	.. 1987-88 to 1991-92
Eastern Circuits Ltd.	.. 1987-88 to 1991-92	Modi Champion	.. 1989-90 to 1993-94	Shree Quality Cement	.. 1989-90 to 1993-94
Elar Fashions Ltd.	.. 1987-88 to 1991-92	Mirinal Texturising Ind.	.. 1987-88 to 1991-92	Sri Vishnu Cement	.. 1987-88 to 1991-92
Fusion Polymers	.. 1989-90 to 1993-94	Munjai Shows Ltd.	.. 1988-89 to 1992-93	Sika Interplast Systems	.. 1987-88 to 1991-92
Gangadharam Appli.	.. 1990-91 to 1994-95	Nihon Nirmaan	.. 1990-91 to 1994-95	Sol Pharmaceuticals	.. 1987-88 to 1991-92
Govind Rubber Ltd.	.. 1987-88 to 1991-92	Northern Digital Exchanges	.. 1988-89 to 1992-93	SPIC Electronics	.. 1989-90 to 1993-94
Harigt Crankshafts	.. 1990-91 to 1994-95	Omax Autos Ltd.	.. 1987-88 to 1991-92	S & S Filled Fibers	.. 1987-88 to 1991-92
Hindustan Oil Exploration	.. N.A.	Onida Savak	.. 1990-91 to 1994-95	Sumitra Pharmaceuticals	.. 1990-91 to 1994-95
India Nippon Electricals	.. 1987-88 to 1991-92	Paan Pharmaceuticals	.. 1987-88 to 1991-92	UB Petroproducts	.. 1990-91 to 1994-95
Jagson Pal Pharmaceuticals	.. 1987-88 to 1991-92	Pentasia Chemicals	.. 1987-88 to 1991-92	Vajra Granites	.. 1991-92 to 1995-96
Jay Yushin Ltd.	.. 1989-90 to 1993-94	Polar Latex Ltd.	.. 1991-92 to 1995-96	Vegepro Foods & Feeds	.. 1989-90 to 1993-94
		Raashi Fertilisers	.. 1988-89 to 1992-93	Wartsila Diesel	.. 1990-91 to 1994-95
				Yanam Oils Ltd.	.. 1987-88 to 1991-92

32. Upto 31-5-1993, the Chief Commissioner or Commissioner had power to reduce or waive penalty u/s. 18B.

33. We are grateful to the management of these companies for prompt supply of valuable information in reply to our questionnaire wherein they were good enough to inform us the specific assessment years as given above.

The above list is not an exhaustive list containing the names of all such companies, whose shares qualify for exemption under section 5(1)(xxa) of the Wealth-tax Act in the hands of the equity shareholder.

In order that there may not be any misunderstanding and dispute with the Assessing Officer, we have omitted the names of those companies who have failed to furnish the information. Such equity shareholders who have made investments in such companies, with a view to avail exemption from wealth-tax are requested to enter into correspondence with the company concerned.

34. From assessment year 1993-94 and onwards, equity shares are not liable to wealth-tax as they are not an asset [vide section 2(ea) of the Wealth-tax Act. Refer item (7)(A) on page 239].

WEALTH-TAX FOR ASSESSMENT YEAR 1994-95

For

INDIVIDUALS, HINDU UNDIVIDED FAMILIES & COMPANIES

Valuation date: 31st March, 1994.

Flat rate of Wealth-tax: 1% of the amount by which the net wealth exceeds Rs. 15,00,000.

NET WEALTH Rs.	WEALTH- TAX Rs.	NET WEALTH Rs.	WEALTH- TAX Rs.	NET WEALTH Rs.	WEALTH- TAX Rs.	NET WEALTH Rs.	WEALTH- TAX Rs.	NET WEALTH Rs.	WEALTH- TAX Rs.	NET WEALTH Rs.	WEALTH- TAX Rs.
100	1	1000	10	11000	110	21000	210	31000	310	41000	410
200	2	2000	20	12000	120	22000	220	32000	320	42000	420
300	3	3000	30	13000	130	23000	230	33000	330	43000	430
400	4	4000	40	14000	140	24000	240	34000	340	44000	440
500	5	5000	50	15000	150	25000	250	35000	350	45000	450
600	6	6000	60	16000	160	26000	260	36000	360	46000	460
700	7	7000	70	17000	170	27000	270	37000	370	47000	470
800	8	8000	80	18000	180	28000	280	38000	380	48000	480
900	9	9000	90	19000	190	29000	290	39000	390	49000	490
1000	10	10000	100	20000	200	30000	300	40000	400	50000	500
1500000	—	1660000	1600	1840000	3400	2350000	8500	3250000	17500	4150000	26500
1500100	1	1670000	1700	1850000	3500	2400000	9000	3300000	18000	4200000	27000
1501000	10	1680000	1800	1860000	3600	2450000	9500	3350000	18500	4250000	27500
1510000	100	1690000	1900	1870000	3700	2500000	10000	3400000	19000	4300000	28000
1520000	200	1700000	2000	1880000	3800	2550000	10500	3450000	19500	4350000	28500
1530000	300	1710000	2100	1890000	3900	2600000	11000	3500000	20000	4400000	29000
1540000	400	1720000	2200	1900000	4000	2650000	11500	3550000	20500	4450000	29500
1550000	500	1730000	2300	1920000	4200	2700000	12000	3600000	21000	4500000	30000
1560000	600	1740000	2400	1940000	4400	2750000	12500	3650000	21500	4550000	30500
1570000	700	1750000	2500	1960000	4600	2800000	13000	3700000	22000	4600000	31000
1580000	800	1760000	2600	1980000	4800	2850000	13500	3750000	22500	4650000	31500
1590000	900	1770000	2700	2000000	5000	2900000	14000	3800000	23000	4700000	32000
1600000	1000	1780000	2800	2050000	5500	2950000	14500	3850000	23500	4750000	32500
1610000	1100	1790000	2900	2100000	6000	3000000	15000	3900000	24000	4800000	33000
1620000	1200	1800000	3000	2150000	6500	3050000	15500	3950000	24500	4850000	33500
1630000	1300	1810000	3100	2200000	7000	3100000	16000	4000000	25000	4900000	34000
1640000	1400	1820000	3200	2250000	7500	3150000	16500	4050000	25500	4950000	34500
1650000	1500	1830000	3300	2300000	8000	3200000	17000	4100000	26000	5000000	35000

Note: Wealth-tax liability is not deductible as a debt vide Circular No. 683, dt. 28-9-1993 [For gist of this circular, refer item 3 on page 317].

WEALTH-TAX EXAMPLE

ASSESSMENT YEAR

1994-95:

VALUATION DATE: 31ST MARCH, 1994:

An individual who is a resident and citizen of India, or a Hindu undivided family resident in India, has the following assets:

Nature of assets	Book value/Cost	Whether an asset liable to wealth tax u/s. 2(ea)	Value as per Schedule III
	Rupees		Rupees
1. Proprietary business/professional assets inclusive of cash on hand Rs. 20,000 but excluding motor car Rs. 40,000 (book value) ...	10,00,000	No	†
2. Interest as partner/member in the firm/A.O.P. [determined as per Rule 16 of the Schedule III] § ...	2,00,000	No	†
3. Fixed deposits with banks [personal] ..	1,00,000	No	†
4. Bank of India Savings A/c [personal] ..	20,000	No	†
5. Deposits with companies/private parties ..	2,00,000	No	†
6. Debentures/bonds of companies/corporation ..	50,000	No	†
7. Equity/preference shares of companies/co-operative societies [Quoted and unquoted] ..	8,00,000	No	†
8. Six years National Savings Certificates VI, VII & VIIIth Issues (with accrued interest) ..	1,00,000	No	†
9. Balances with:			
(a) State Bank of India Public Provident Fund A/c ..	20,00,000	No	†
(b) National Savings Scheme, 1987/1992 A/c ..	1,00,000	No	†
10. Right or interest in:			
(a) Life insurance policies ..	2,00,000	No	†
(b) "Jeevan Dhara" & "Jeevan Akshay" policies ..	50,000	No	†
11. Capital Investment Bonds [subscribed or purchased in March, 1986] ..	1,00,000	No	†
12. 9% Relief Bonds, 1987 [subscribed or purchased in March, 1994] ..	50,000	No	†
13. Units of Unit Trust of India ..	1,00,000	No	†
14. Units of Mutual Funds ..	50,000	No	†
15. Units of Equity Linked Savings Scheme referred to in section 80CCB and section 88 of the Income-tax Act ..	50,000	No	†
16. Household goods/furniture not containing precious metals ..	50,000	No	†
17. Central and State Government securities ..	10,000	No	†
18. Unused plots of urban land purchased in January, 1993 and held by the assessee for:			
(a) industrial purposes for a period of two years ..	10,00,000	No*	†
(b) non-industrial purposes as stock-in-trade for a period of three years ..	5,00,000	No†	†
(c) non-industrial purposes not held as stock-in-trade ..	5,00,000	Yes	6,00,000
Total carried over ..	72,30,000		6,00,000

† Refer † marked note on page 261.

* Refer * marked note on page 261.

‡ Refer ‡ marked note on page 261.

§ The firm/A.O.P. does not have any assets which are liable to wealth-tax u/s. 2(ea).

Nature of assets	Book value/Cost Rupees	Whether an asset liable to wealth tax u/s. 2(ea)	Value as per Schedule III Rupees
Total brought over	72,30,000		6,00,000
19. Self-occupied residential flat at Bombay purchased in 1982 [Refer Rule 3 of the Schedule III on page 229]	30,00,000	Yes	1,00,000§
20. Motor cars [personal Rs. 60,000/business Rs. 40,000 (book value)]	1,00,000	Yes	2,00,000
21. Cash at house [For personal use]	1,10,000	Yes	60,000
22. Diamond jewellery & Gold ornaments [Refer Rule 18 of the Schedule III on page 232]	1,50,000	Yes	9,00,000
23. Silver utensils/Silver wares	10,000	Yes	50,000
Total	1,06,00,000		
Value as per Schedule III of the assets liable to wealth-tax u/s. 2(ea)			Rs. 19,10,000
Less: Exemption u/s. 5(vi)**			Rs. 1,00,000
			Rs. 18,10,000
Less: Debts incurred in relation to purchase of plot of urban land:			
(a) for industrial purposes and non-industrial purposes held as stock-in-trade Rs. 2,00,000. Not deductible as it is incurred in relation to an asset not liable to wealth-tax [Refer section 2(m)]		Nil	
(b) for non-industrial purposes not held as stock-in-trade Rs. 1,00,000. Is deductible as it is incurred in relation to an asset liable to wealth-tax [Refer section 2(m)]		Rs. 1,00,000	Rs. 1,00,000
Net wealth			Rs. 17,10,000
Wealth-tax on Rs. 15,00,000 net wealth			Nil
Wealth-tax on balance Rs. 2,10,000 net wealth @ flat rate of 1%			Rs. 21,000
Wealth-tax payable for the assessment year 1994-95 on net wealth Rs. 17,10,000 [Refer page 259]			Rs. 2,100

- Notes:** (1) For assessment year 1993-94 and onwards, wealth-tax is chargeable only on assets specified in section 2(ea). For further details, refer sub-item(A) of item (7) on page 239.
- (2) For assessment year 1993-94 and onwards, deduction for debts from net wealth is allowable only in respect of those debts which are incurred in relation to the assets [as defined in section 2(ea)] included in the net wealth††.
- (3) For assessment year 1993-94 and onwards, net wealth exceeding Rs. 15,00,000 is liable to wealth-tax @ flat rate of 1% of the amount by which the net wealth exceeds Rs. 15,00,000.

† These assets are not assets within the meaning of section 2(ea) and hence question of value as per Schedule III does not arise.

* Land is proposed to be unused for industrial purposes for a period of two years from the date of its acquisition and hence is not an asset within the meaning of clause (b) of the Explanation to section 2(ea).

‡ For assessment year 1994-95, if the plot of urban land is held by the assessee as stock-in-trade for a period of 3 years from the date of its acquisition by him, such urban land is not an asset within the meaning of clause (b) of the Explanation to section 2(ea) and hence not liable to wealth-tax. [For assessment year 1995-96, refer para 1 on page 42].

§ Section 7(2) provides that value of a house belonging to the assessee and exclusively used by him for residential purposes, may, at the option of the assessee, be taken to be the value determined in the manner laid down in Schedule III (refer Part B on page 229) as on the valuation date next following the date on which he became the owner of the house or the valuation date relevant to assessment year 1971-72, whichever valuation date is later. Thus, even if the market value of the residential house/flat is Rs. 48,00,000 as on 31-3-1994, the value to be adopted is Rs. 1,00,000 (i.e., value as determined in accordance with Schedule III) and not Rs. 30,00,000 (being the purchase price of the residential house/flat) [Refer 2nd & 3rd proviso to Rule 3 of the Schedule III on page 229].

** From assessment year 1994-95 and onwards, one house or part of a house belonging to an individual or a Hindu undivided family is exempt u/s. 5(vi) without any monetary ceiling.

†† Wealth-tax liability is not deductible as a debt u/s. 2(m) vide Circular No. 663, dt. 28-9-1993 [For gist of this circular, refer item 3 on page 317].

MARKET RATES OF GOLD AND SILVER FOR WEALTH-TAX PURPOSES†
FOR VALUATION DATE 31-3-1994

(Source: The Bombay Bullion Association Ltd.)

**MARKET RATE
AS ON**

	31-3-1994	1-4-1981‡	1-4-1974††	
Gold Standard 24 Carats ..	Rs. 4,598.00*	Rs. 1,670.00*	Rs. 506.00*	for 10 Grams
Silver 999 Touch ..	Rs. 7,142.00	Rs. 2,715.00	Rs. 1,260.00	for 1 Kg.

‡ For the purposes of computing "Long-term Capital Gains" for assessment year 1993-94 and onwards.

†† For the purposes of computing "Long-term Capital Gains" for assessment years 1987-88 to 1992-93.

***Valuation for Gold ornaments**

In my opinion, while determining the market value of gold ornaments, the following factors are required to be taken into consideration namely:

consideration namely:	
(i) Difference in price between 24 carats of standard gold and 22 carats of gold ornaments	8.33%
(ii) Licensed dealer's margin of profit when ornaments are sold in the market	3.00%
(iii) Melting charges payable to Government refinery and for conversion of gold ornaments into standard gold bars	0.67%
	<hr/>
% to be deducted in respect of gold bangles	12.00%
Soldering made of copper, silver, etc. in necklaces and other fancy ornaments varying between 8% & 10%	9.00%
	<hr/>
% to be deducted in respect of gold ornaments other than gold bangles ..	21.00%

For the reasons stated above it is suggested to adopt the following formula:

Gold bangles	deduct 12%
Other ornaments made of gold	deduct 21%

† From assessment year 1993-94 and onwards, units of Unit Trust of India, Units of Mutual Fund, Central Government securities, State Government securities, debentures/bonds of the companies, Preference and Equity Shares of companies and Corporation Bonds are not assets within the meaning of section 2(ea) [For details, refer item (7)(A) on page 239] and hence not chargeable to Wealth-tax. Since these assets are not chargeable to Wealth-tax, market quotation in respect of the said assets for valuation date as on 31-3-1994 is not given.

MARKET RATES OF GOLD & SILVER

(FROM 31-10-1978 TO 31-3-1994) SOURCE: The Bombay Bullion Association Ltd.

Valuation Date	STANDARD GOLD 24 Carats	SILVER 9960 touch	Valuation Date	STANDARD GOLD 24 Carats	SILVER 9960 touch	Valuation Date	STANDARD GOLD 24 Carats	SILVER 999 touch
	Rate for 10 grams Rs.	Rate for 1 kg. Rs.		Rate for 10 grams Rs.	Rate for 1 kg. Rs.		Rate for 10 grams Rs.	Rate for 1 kg. Rs.
31-10-78	870	1546	15-11-82	1775	2715	2-11-86	2375	4397
31-12-78	850	1541	31-12-82	1750	2915	31-12-86	2405	4271
31-3-79	937	1688	31-3-83	1800	3105	31-3-87	2570	4794
20-10-79	1220	2283	4-11-83	1885	3505	22-10-87	3205	5403
31-12-79	1308	3442	31-12-83	1875	3480	31-12-87	3510	6275
31-3-80	1330	2655	31-3-84	1975	3570	31-3-88	3130	6066
7-11-80	1600	2727	24-10-84	1990	3545	31-3-89	3140	6755
31-12-80	1690	2825	31-12-84	1970	3655	31-3-90	3200	6463
31-3-81	1700	2720	31-3-85	2130	3955	31-3-91	3466	6646
27-10-81	1785	2635	12-11-85	2149	3894	31-3-92	4334	8040
31-12-81	1720	2550	31-12-85	2110	3972	31-3-93	4140	5489
31-3-82	1645	2680	31-3-86	2140	4015	31-3-94	4598	7142

LIST OF ISSUE OF BONUS SHARES

FROM: 1-4-1981 TO 31-3-1994

SOURCE: OFFICIAL STOCK EXCHANGES

Name of the Company	FROM 1-4-1993 TO 31-3-1994		FROM 1-4-1981 TO 31-3-1993*	Name of the Company	FROM 1-4-1993 TO 31-3-1994		FROM 1-4-1981 TO 31-3-1993*
	Proportion in which issued	Date of closure of Register of members			Proportion in which issued	Date of closure of Register of members	
A.B.B. Ltd.	1:3	8-2-94		Balmer Lawrie			1:2 (90-91)
A.B.C. (India)			4:5 (85-86) & 1:1 (81-82)	Balrampur Chini			1:1 (92-93) & 1:2 (85-86)
ABS Plastics			1:1 (90-91)	Balsara Hygiene			1:1 (91-92), 1:1 (89-90) & 1:1 (86-87)
Adarsh Chemicals			2:5 (91-92) & 1:1 (85-86)	Baroda Rayon			1:2 (90-91) & 1:2 (82-83)
Agro Cargo			1:5 (91-92)	Basmath Tea			1:1 (81-82)
Agro Extracts			2:5 (88-89)	Bata India Ltd.			1:1 (87-88)
Alumadabad Elec.			1:5 (87-88)	Batelli Tea			1:1 (87-88)
Ahura Welding			1:1 (85-86)	Bayer (India)			1:1 (87-88)
Alfa Laval			1:2 (91-92), 1:2 (89-90) & 1:2 (86-87)	Beco Engineering			1:1 (83-84)
Ambalal Sarabhai			1:5 (82-83)	Bengal Tea & Fibres	1:1	23-7-93	1:1 (91-92)
Amrit Banaspati			1:1 (89-90)	Berger Paints			1:1 (88-89)
Amrutnjan			1:3 (92-93), 1:1 (88-89), 2:3 (86-87) & 1:2 (82-83)	Best & Crompton			3:5 (82-83)
Amzel Automotive			1:2 (91-92), 1:1 (89-90), 1:1 (87-88) & 1:1 (84-85)	Bhagya Nagar Met.			3:2 (92-93) & 1:1 (91-92)
Anagram Finance			1:2 (88-89)	Bharat Bijlee			1:1 (92-93)
Anapari Estates			1:1 (81-82)	Bharat Commerce			1:2 (81-82)
Andaman Timber			N.A. (92-93) & 1:1 (81-82)	Bharat Fertilizers			2:5 (81-82)
Andhra Sugar	1:1	31-12-93	1:1 (90-91) & 3:5 (82-83)	Bharat Forge			1:1 (89-90) & 1:1 (81-82)
Anglo India Jute			1:1 (81-82)	Bharat Rubber Reg.			1:1 (85-86)
Anil Starch			N.A. (90-91)	Bharat Starch			3:5 (90-91), 1:2 (87-88) & 1:2 (82-83)
Antifriction Bearing			1:2 (81-82)	Bharat Vijay Mills			1:6 (83-84)
Aravali Leasing			1:3 (92-93) & 1:2 (89-90)	Bhopal Sugar			1:1 (83-84)
Arcutipore Tea			2:3 (91-92)	Bhoruka Steel			1:2 (92-93), 3:5 (91-92) & 1:1 (81-82)
Arlem Breweries			1:2 (91-92)	Bihar Mercantile	1:1	16-3-94	1:1 (89-90) & 1:2 (81-82)
Aroni Chemicals	2:1	10-12-93	3:5 (90-91)	Bimetal Bearings			
Aruna Sugar				Binani Zinc	1:5:1	17-8-93	1:2 (91-92) & 1:1 (85-86)
Arunodaya Mills			3:1 (92-93) & 3:7 (90-91)	Birla Jute			1:1 (91-92)
Arvind Mills			1:3 (86-87)	Bishnauth Tea			1:1 (91-92), 1:1 (87-88) & 2:3 (82-83)
Asher Text. Mills			1:1 (91-92)	Blow Plast			1:2 (88-89)
Ashok Leyland Fin.	1:2	22-3-94		Blue Blends (I)			
Asian Cables			1:3 (81-82)	Blue Star Ltd.			1:1 (90-91), 3:5 (86-87) & 3:5 (82-83)
Asian Electronics	1:2	8-3-94	3:5 (92-93), 1:2 (87-88) & 3:5 (85-86)	Boehringer - Mannh.			2:5 (90-91)
Asian Paints			1:1 (85-86)	Bombay Dyeing			1:1 (90-91)
Assam Brook Estate			1:1 (89-90) & 1:1 (85-86)	Bombay Paints			3:10 (85-86)
Assam Co. India			2:5 (92-93) & 1:5 (86-87)	Boots			1:1 (87-88) & 3:5 (84-85)
Associated Cement				Borax Morarji			1:2 (89-90) & 1:1 (86-87)
Associated Pigments			1:2 (86-89)	Borell Glass			1:2 (82-83)
Associated Rubber			1:2 (83-84)	Britannia Ind.			1:2 (89-90), 2:5 (87-88) & 2:5 (82-83)
Associated Stone			1:1 (85-86)	Brooke Bond India			1:3 (91-92), 4:5 (89-90) & 3:5 (86-87)
Atlas Copco			1:2 (87-88) & 1:1 (82-83)	Burroughs Wellcome			1:1 (89-90)
Atlas Cycle			1:2 (87-88)	C.W.S. India			1:2 (91-92) & 2:3 (90-91)
Atul Products			1:4 (90-91)	Cadbury Ind.			1:1 (87-88) & 2:5 (84-85)
Authoriders Finance			1:1 (92-93)	Camphor & Allied			1:3 (82-83)
Avery India			2:5 (84-85)	Canara Steel			1:1 (92-93)
B. D. Ind.			1:3 (85-86)	Canara Workshop			1:2 (90-91)
BASF Ltd.			1:2 (92-93), 1:2 (90-91) & 1:2 (88-89)	Canonus	1:5	23-12-93	
B. S. E. S. Ltd.			1:1 (89-90)	Cangrowth			1:4 (91-92)
Bajaj Auto			1:1 (91-92), 1:1 (88-89) & 1:1 (84-85)	Canhares			2:5 (91-92) & 2:5 (89-90)
Bajaj Electricals			1:1 (89-90)	Carborundum			2:5 (89-90), 2:5 (86-87) & 2:5 (83-84)
Bajaj Hindustan			1:4 (86-87) & 1:3 (83-84)	Carew Phipson (Carew & Co)			1:1 (92-93), 1:1 (87-88) & 1:1 (85-86)
Bajaj Plastics			1:1 (92-93) & 1:1 (86-87)	Carona Ltd.			1:2 (89-90)
Bajaj Tempo			1:1 (85-86)	Castrol India (Indrol)	1:1	18-3-94	3:5 (92-93), 3:5 (90-91) & 1:1 (86-87)
Balanoor Tea			1:3 (84-85)				
Balasubramanian	1:1	16-11-93	1:1 (91-92) & 1:1 (85-86)				
Balkrishna Ind.			1:2 (89-90)				
Balharpur Ind.							

LIST OF ISSUE OF BONUS SHARES (Contd.)

FROM: 1-4-1981 TO 31-3-1994

SOURCE: OFFICIAL STOCK EXCHANGES

Name of the Company	FROM 1-4-1993 TO 31-3-1994		FROM 1-4-1981 TO 31-3-1993*	Name of the Company	FROM 1-4-1993 TO 31-3-1994		FROM 1-4-1981 TO 31-3-1993*
	Proportion in which issued	Date of closure of Register of members			Proportion in which issued	Date of closure of Register of members	
Ceat Ltd. ..			1:2 (86-87)	Eicher Tractors ..			4:5 (91-92)
Cemindia ..			3:5 (84-85)	Elecon Eng. ..			3:5 (87-88) & 1:2 (81-82)
Central India Ind. ..			1:1 (86-87)	Electric Cont. Gear ..			1:1 (90-91) & 1:2 (87-88)
Century Enka ..			2:5 (90-91), 2:5 (88-89), 1:2 (84-85) & 1:2 (81-82)	Electro Steel Castg. ..			1:1 (89-90)
				Elgi Equipment ..			1:1 (92-93), 1:1 (86-87) & 1:1 (81-82)
Century Spg. Mills ..			3:5 (91-92) & 2:3 (86-87)	Elgi Rubber ..			1:3 (82-83)
Champaklal Inv. ..			1:1 (90-91)	Enfield (India) ..			1:1 (84-85)
Champadany Ind. ..			1:1 (92-93)	Engine Valves ..			1:2 (86-87) & 1:2 (81-82)
Chemcrowns India (Inv.) ..	1:2	29-3-94	1:1 (89-90) & 1:1 (86-87)	English Electric ..	1:1	16-11-93	1:1 (90-91) & 1:1 (87-88)
Chemical & Plastic ..	1:2	19-8-93	1:1 (88-89) & 1:1 (84-85)	English Indian Clays ..	1:1	24-1-94	
Cheviot Agro Ind. ..			3:5 (86-87) & 3:5 (83-84)	Engo Tea ..			3:5 (83-84)
Chloride Ind. ..			1:2 (90-91)	Ennore Foundries ..			3:5 (91-92)
Cholanandal Inv. ..			1:1 (92-93), 1:1 (88-89) & 1:1 (85-86)	Ensa Steel ..			3:5 (86-87)
Cipla ..			1:1 (92-93), 2:3 (89-90) & 1:5 (86-87)	Escorts Ltd. ..			3:10 (92-93)
Coates ..			3:5 (88-89)	Esquire Tea ..			1:1 (88-89)
Cochin Malabar ..				Essen Computers ..			1:1 (91-92)
Coffee Lands ..			1:1 (92-93)	Eternit Everest ..	1:1	1-3-94	1:1 (90-91)
Colgate-Palmolive ..	1:1	7-1-94	3:5 (91-92), 1:1 (89-90), 1:1 (87-88), 1:1 (85-86) & 1:1 (82-83)	Excel Industries ..			1:2 (92-93) & 4:5 (84-85)
			1:1 (92-93)	FGP Ltd. ..			1:2 (87-88)
Columbia Leasing ..			1:2 (86-87) & 1:2 (81-82)	Facit (Asia) ..			2:5 (85-86) & 3:10 (81-82)
Consolidated Coffee ..			1:2 (88-89)	Ficom Organic ..			1:1 (87-88)
Continental Const. ..				Finolex Cables ..			1:1 (92-93) & 4:5 (88-89)
				Flakt India ..			2:5 (92-93), 2:5 (89-90) & 1:3 (86-87)
Coorg Tea ..			2:5 (83-84)				
Core Parenterals ..			1:1 (92-93) & 1:1 (91-92)	Foods & Inns ..			1:1 (90-91) & 1:2 (87-88)
Coromandel Eng. ..			3:5 (83-84)	Fullford (India) ..			1:1 (90-91) & 1:1 (88-89)
Coromandel Fertil. ..			1:2 (86-87)				
Coromandel Finance ..			1:2 (85-86)	GKW Ltd. ..			1:3 (82-83)
				Ganmon India ..			2:5 (81-82)
Cowroody Coffee ..			1:2 (87-88)	Ganesh Benzoplast ..	1:2	10-11-93	
Cravatez ..	3:5	7-12-93		Ganpati Exports ..			1:1 (87-88)
Crompton Greaves ..			1:1 (89-90)	Garware Nylons ..			1:2 (82-83)
				Garware Paints ..			1:2 (81-82)
D CW Ltd. ..			3:5 (90-91) & 1:1 (88-89)				
Dabur India ..	4:1	1-12-93		Garware Wall Ropes ..			1:1 (88-89) & 3:5 (82-83)
Dalmia Cement ..	1:3	19-1-94	1:1 (91-92)	Geekay Exim ..	3:5	1-3-94	
Dalmia Ind. (Dairy) ..			1:2 (88-89) & 2:3 (86-87)	Genelec Ltd. ..			1:1 (84-85)
Darshak ..			1:1 (92-93)	General Commodt. ..			1:1 (87-88)
Deccan Bearings ..			7:10 (92-93)	General Electric ..			1:1 (89-90)
Deepak Ind. ..			2:25 (92-93)	General Electrodes ..			3:5 (81-82)
Deepak Nitrite ..			1:2 (86-87)				
Delhi Flour ..			1:1 (88-89)	General Indl. Soc. ..			1:2 (91-92)
Dhampur Sugar Mills ..	1:2	27-10-93	1:1 (91-92)	George Williamson ..			1:2 (91-92), 1:2 (89-90) & 4:5 (85-86)
Dharamsi Chemicals ..			2:5 (90-91)	German Remedies ..			1:1 (90-91) & 3:5 (82-83)
Dhunseri Tea ..			1:1 (92-93) & 1:2 (86-87)	Gillanders Arbuth. ..			1:2 (92-93) & 1:4 (85-86)
Diamond Dies ..			1:3 (87-88) & 1:2 (81-82)	Gnanambikai Mills ..			1:2 (90-91)
Dibrugarh Tea ..			1:1 (89-90)				
Dishergarh Power ..			1:2 (90-91) & 1:3 (84-85)	Goa Carbon ..			1:1 (91-92)
				Godfrey Phillips ..			1:1 (92-93) & 1:1 (91-92)
Doom-Dooma Tea ..			3:5 (90-91), 3:5 (87-88) & 1:1 (85-86)	Gokak ..			1:1 (87-88)
				Gokul Rubber ..			1:2 (82-83)
Dr. Beck & Co. ..			1:2 (91-92)	Goodricke Group ..			1:1 (91-92), 1:2 (89-90), 1:1 (87-88) & 1:5 (84-85)
Dr. Reddy's Lab. ..			1:1 (92-93) & 1:2 (91-92)				
Ductron Casting ..			1:1 (84-85)	Goodwill India ..			1:1 (88-89) & 1:1 (83-84)
Dugar Investment ..			3:5 (86-87)	Goodyear India ..			1:1 (90-91)
Duncan Agro Ind. ..			1:2 (89-90)	Graham Firth ..			1:2 (89-90) & 3:5 (83-84)
Duphar ..			1:3 (88-89) & 1:2 (84-85)	Grand Foundry ..			
				Grasim Ind. ..	2:5	30-12-93	3:4 (88-89)
E. Merck ..			1:2 (91-92) & 3:5 (86-87)				
E.C.E. Ind. (Elec. Cons. Eq.)			1:2 (86-87) & 1:2 (81-82)	Grauer Weil ..			1:1 (90-91) & 1:2 (85-86)
EL Forge ..			1:1 (91-92), 1:1 (90-91) & 1:1 (81-82)	Great Eastern Shipping ..			1:5 (91-92) & 2:3 (81-82)
				Greaves Cotton ..			1:2 (89-90) & 1:2 (83-84)
ESKAYEF Ltd. ..			2:5 (91-92) & 1:2 (88-89)	Gujarat Alkalies ..			1:5 (87-88) & 1:5 (84-85)
East India Hotel ..			1:5 (92-93) & 2:5 (84-85)				
Eastern Silk Ind. ..			1:2 (91-92) & 1:2 (83-86)				

* Proportion of bonus shares issued during financial year 1981-82 and onwards is given for the purpose of capital gain.

LIST OF ISSUE OF BONUS SHARES (Contd.)

FROM: 1-4-1981 TO 31-3-1984

SOURCE: OFFICIAL STOCK EXCHANGES

Name of the Company	FROM 1-4-1981 TO 31-3-1984		FROM 1-4-1981 TO 31-3-1983*		Name of the Company	FROM 1-4-1981 TO 31-3-1984		FROM 1-4-1981 TO 31-3-1983*	
	Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1992-93 (Financial year given in bracket)			Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1992-93 (Financial year given in bracket)	
Gujarat Lease Fin. ..			1:2 (92-93)		Indian Tools ..			4:5 (82-83)	
Gujarat Machinery ..			1:2 (89-90) & 1:2 (83-84)		Indo Matsui Carbon ..	1:5	19-2-94		
Gujarat Ministeel ..			1:2 (87-88)		Indo-Asahi Glass ..			1:1 (91-92)	
Gujarat Reclaimed ..			1:1 (91-92)		Indore Wire ..			2:1 (92-93)	
Gujarat State Fert. ..			3:10 (90-91), 3:10 (87-88)		Industrial & Prud. ..			1:1 (92-93)	
			& 1:4 (84-85)		Industrial Cables ..			1:1 (82-83)	
Gujarat Steel Tube ..			1:1 (81-82)						
H.B. Portfolio Lea. ..			2:5 (92-93)		Industrial Cr. & Inv. Corp. ..			1:4 (84-85)	
Haileyburia Tea ..			1:5 (92-93)		Industrial Credit ..			1:1 (89-90)	
Hanuman Tea ..			1:1 (91-92)		Industrial Cr. Dev. ..			2:5 (90-91)	
Harrisons Malayalam ..			2:5 (87-88) & 1:1 (84-85)		Industrial Inv. Trust ..	2:3	1-10-93	1:2 (91-92) & 1:1 (87-88)	
Haryana Sheet Glass ..			1:1 (92-93)		Infar India ..			1:1 (86-87)	
Havelock Leasing ..			1:1 (91-92)		Ingersoll Rand ..			1:1 (92-93), 1:1 (89-90),	
Hawkins Cooker ..	1:3	16-11-93	19:56 (90-91), 2:5 (84-85)		International Combustion			1:1 (86-87) & 1:1 (82-83)	
			& 3:5 (81-82)		Investment Corp. ..			1:5 (84-85)	
Hercules Hoist ..			1:3 (85-86)		Investment Trust ..			1:4 (87-88)	
High Energy Batteries ..			1:1 (86-87)		Ion Exchange ..			1:2 (89-90)	
Hilton Rubber ..			1:3 (87-88)					4:5 (88-89)	
Hind Syntex ..	1:1	2-12-93			J. B. Chemicals ..	1:2	25-10-93		
Hindalco Ind. ..			3:5 (90-91), 1:3 (88-89) &		J.J. Exporters ..			1:1 (92-93), 1:1 (90-91) &	
			1:3 (82-83)					1:1 (88-89)	
Hindustan Ciba Geigy ..			1:2 (90-91)		J.K. Synthetics ..			1:3 (82-83)	
Hindustan Develop. ..			1:1 (86-87)		J.L. Morrison ..			2:5 (87-88)	
Hindustan Dorr-Oliver ..			1:1 (89-90), 1:1 (86-87) &		Jagatjit Industries ..			1:1 (92-93), 1:1 (88-89) &	
			4:5 (82-83)					1:1 (85-86)	
Hindustan Electrogr. ..	1:1	16-2-94	2:5 (81-82)		Jaiprakash Ind. ..			1:4 (92-93)	
Hindustan Fashions ..					Jam Shri Ranjit ..			1:1 (91-92)	
Hindustan Ferodo ..			4:5 (83-84)		Jayabharat Int. ..			3:5 (88-89)	
Hindustan Gas ..			1:2 (81-82)		Jayant Paper ..			1:3 (86-87)	
Hindustan Lever ..			1:2 (91-92), 1:1 (87-88) &		Jayant Vitamins ..			2:5 (87-88)	
			3:5 (83-84)						
Hindustan Mills ..			1:1 (92-93)		Jayshree Tea & Ind. ..			1:2 (85-86)	
					Jenson & Nicholson ..			1:2 (91-92)	
Hindustan Motors ..			1:1 (86-87)		Jindal Strips ..			1:1 (89-90)	
Hindustan Nat. Glass ..	6:5	6-8-93	1:1 (89-90)		John Fowler ..			3:5 (89-90) & 3:5 (82-83)	
Hindustan Sanitary ..			1:2 (88-89)		Jost's Engineering ..			1:1 (87-88)	
Hooghly Flour ..			1:1 (81-82)						
Hooghly Mills ..	20:1	26-6-93			Julundur Motor ..	2:5	16-11-93	2:5 (89-90)	
					Jutlibari Tea ..			1:3 (85-86)	
Hukumchand Jute ..			1:1 (91-92) & N.A. (84-85)						
Huldibari Tea ..	1:1	31-3-94			K.E.C. International ..			1:1 (83-84)	
Hyderabad Ind. ..			1:1 (88-89)		K.G. Khosla Comp. ..			1:1 (87-88)	
					K.C.P. Ltd. ..			1:2 (91-92), 1:2 (85-86) &	
I.A.E.C. (India) ..			3:5 (85-86)					1:2 (81-82)	
I.T.C. Ltd. ..			3:5 (91-92) & 1:1 (89-90)		K.S.B. Pumps ..			1:1 (89-90), 1:1 (86-87) &	
I.V.P. Ltd. ..			1:2 (91-92), 1:1 (89-90) &					4:5 (82-83)	
			1:2 (84-85)		Kadri Text Mills ..			1:1 (91-92), 1:1 (90-91) &	
IBP ..			3:5 (86-87) & 1:2 (81-82)					1:1 (87-88)	
IFB Industries ..			1:2 (92-93) & 1:2 (89-90)		Kaira Can ..			3:5 (82-83)	
					Kalasa Tea ..			2:5 (92-93) & 1:4 (84-85)	
IMPAL (India Motor Parts) ..	1:1	7-1-94	1:3 (87-88)		Kalyani Steel ..			1:1 (90-91) & 1:1 (89-90)	
IOL (Indian Oxygen) ..			1:3 (85-86) & 1:3 (82-83)		Kannapiran Text ..			1:1 (91-92), 1:1 (90-91),	
Indabrador ..			1:2 (81-82)					1:1 (89-90) & 1:1 (86-87)	
India Foils ..			1:4 (82-83)		Kanoria Chemicals ..			1:2 (89-90) & 1:2 (81-82)	
India Gelatine ..			N.A. (92-93)						
					Kap Steel ..	2:5	18-9-93	1:1 (82-83)	
India Nippon ..	1:2	23-11-93			Kaytee Cotsynth ..			1:1 (92-93)	
India Photographic ..			1:1 (83-84)		Kelvinator of India ..			1:2 (92-93), 1:1 (90-91) &	
Indian Hotels ..			1:2 (89-90) & 2:5 (81-82)					1:1 (83-84)	
Indian Hume Pipe ..			1:2 (88-89) & 1:2 (84-85)		Kerala Chemicals ..			1:2 (92-93)	
Indian Organic Chem. ..			1:2 (85-86)		Kesar Enterprises ..			1:1 (89-90) & 1:1 (87-88)	
Indian Plastics ..			1:1 (82-83)		Khoday Distilleries ..			1:2 (89-90)	
Indian Resort Hotels ..			2:5 (89-90)		Kil Kotagiri Tea ..			1:5 (85-86) & 2:5 (81-82)	
Indian Seamless M. ..			3:4 (89-90)		Kinetic Eng. ..			1:1 (88-89) & 1:1 (82-83)	
Indian Sewing Mach. ..			1:1 (89-90)		Kirloskar Cummins ..			1:1 (87-88) & 1:1 (83-84)	
Indian Steel Rolling ..			1:2 (92-93)		Kirloskar Electric ..			2:5 (90-91) & 1:2 (82-83)	
					Klochner Windsor ..			1:1 (90-91) & 1:2 (88-89)	

* Proportion of bonus shares issued during financial year 1981-82 and onwards is given for the purposes of capital gains.

LIST OF ISSUE OF BONUS SHARES (Contd.)

FROM: 1-4-1981 TO 31-3-1994

SOURCE: OFFICIAL STOCK EXCHANGES

Name of the Company	FROM 1-4-1993 TO 31-3-1994		FROM 1-4-1981 TO 31-3-1993*		Name of the Company	FROM 1-4-1993 TO 31-3-1994		FROM 1-4-1981 TO 31-3-1993*	
	Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1992-93 (Financial year given in bracket)			Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1992-93 (Financial year given in bracket)	
Kothari Plantations ..	1:1	24-9-93	1:1 (91-92) & 1:1 (88-89)		Mid-West Leasing ..			1:25 (92-93)	
Kovilapatti Lakshmi ..			1:1 (92-93)		Miles (India) ..			1:1 (89-90) & 3:5 (87-88)	
Krishna Bihari Tea ..			3:7 (85-86)		Milk Food ..			1:1 (92-93) & 1:1 (87-88)	
Kunal Engineering ..			1:2 (82-83)		Molins of India ..			2:5 (82-83)	
L.G.B. Bros. ..	1:2	16-9-93	1:4 (81-82)		Monotype India ..			1:5 (81-82)	
L.K.P. Merchant ..	3:4	17-1-94			Moran Tea ..			1:2 (90-91)	
Lakhanpal National ..			1:1 (87-88)		Moraji Mills ..			1:1 (92-93)	
Lakme Limited ..			1:2 (89-90) & 2:5 (85-86)		Motor & Gen. & Fin. ..			1:1 (89-90), 1:1 (85-86) &	
Lakshmi Finance ..			1:2 (90-91)					1:2 (81-82)	
Lakshmi Machine ..			1:2 (89-90)		Motor Industries Co. ..			1:1 (86-87) & 1:2 (82-83)	
Lakshmi Machine Works ..			3:5 (81-82)		Mukand Ltd. ..			1:2 (88-89)	
Lakshmi Mills ..			1:1 (81-82)		Multi Trade ..			1:1 (87-88)	
Larsen & Toubro ..			3:5 (86-87) & 3:5 (81-82)		Mysore Amalgamated ..				
Lingapur Coffee ..			1:1 (91-92) & 1:1 (86-87)		Coffee ..			1:1 (82-83)	
Lipton Tea ..			1:1 (92-93)		Mysore Cement ..			2:5 (84-85)	
Lloyds Finance ..			1:1 (92-93)		Mysore Coffee ..			2:3 (88-89)	
Lloyds Steel ..			1:2 (89-90)		Mysore Kirloskar ..			2:3 (82-83)	
London Rubber ..			1:1 (91-92)		Mysore Plantation ..	1:1	1-12-93	1:1 (90-91)	
Longview Tea ..	1:2	16-3-94			N.B.I. Industrial ..			1:5 (85-86)	
Loyal Textile ..	1:1	25-5-93	1:1 (91-92) & 1:1 (84-85)		Naga Dhunery ..			19:31 (89-90)	
Lucky Valley Tea ..	1:1	16-2-94			Nagpur Alloy Cast. ..			3:5 (91-92)	
Lumax Ind. ..			1:1 (90-91)		Namdang Tea ..			1:1 (86-87)	
M.B. Ltd. ..	1:1	30-12-93			National Eng. ..			1:1 (91-92) & 1:1 (85-86)	
M.G.F. India ..			1:2 (89-90)		National Organic ..	1:3	27-8-93	1:2 (86-87)	
Macmillan ..			1:1 (92-93) & 1:1 (88-89)		Navabharat Ferro ..			1:1 (87-88)	
Macneill & Magor ..			1:1 (91-92)		Navsari Cotton ..			2:3 (82-83)	
Madanapally Spg. ..			1:1 (92-93)		Nelamalai Agro ..			1:1 (91-92)	
Madras Cement ..			1:1 (92-93)		Neiveli Ceramics ..			1:1 (85-86)	
Madras Safe ..			1:1 (92-93)		Nestle India ..	1:4	16-10-93	3:5 (89-90), 1:1 (86-87) &	
Madras Spinners ..			1:1 (91-92)					3:5 (83-84)	
Madras Vanaspathi ..			1:1 (82-83)		New India Sugar ..			1:2 (81-82)	
Madura Coats ..			1:2 (91-92), 1:2 (86-87) &		New Rajpur Mills ..			1:1 (86-87)	
			1:4 (82-83)		Nicholas Piramal ..	1:2	11-6-93	1:1 (91-92)	
Mafatal Dyes ..			1:4 (89-90)		Nirlon ..			1:2 (81-82)	
Mahabir Jute ..			1:1 (81-82)		Nuchem Plastics ..			1:1 (82-83)	
Maharaja Sree Umair ..	1:2	30-4-93	1:2 (89-90) & 1:2 (84-85)		Orient Paper Ind. ..			1:1 (86-87)	
Maharashtra Apex. ..	1:5	21-1-94	1:1 (90-91), 1:1 (86-87) &		Oriental Carbon ..			1:3 (89-90)	
Maharashtra Scooters ..			3:7 (82-83)		Oriental Containers ..	3:5	17-12-93	2:5 (92-93) & 2:5 (88-89)	
Mahavir Spg. Mills ..			2:5 (90-91) & 2:5 (82-83)		Oriental Hotels ..			1:1 (87-88)	
Mahendra Mills ..			1:3 (82-83)		Orissa Cement ..				
Maheshwari Mills ..			1:1 (81-82)		Ossoor Estate ..			1:1 (92-93) & 1:3 (86-87)	
Mahindra & Mahindra ..			2:3 (84-85)		Oswal Agro ..			3:5 (87-88)	
Mahindra Ugine ..			1:2 (88-89)		Oswal Rats ..			2:5 (92-93)	
Makum Tea ..			1:1 (86-87)		Otis Elevators ..			1:1 (85-86) & 3:5 (81-82)	
Malankara Rubber ..			3:5 (81-82)		P.B.M. Polytex ..			1:4 (89-90)	
Manekhal Harilal ..			N.A. (91-92)		PVD Plast Mould ..			2:5 (92-93)	
Manjushree ..	1:2	2-11-93	1:2 (91-92), 1:2 (88-89) &		Paper Products ..	1:2	30-4-93	1:4 (86-87) & 1:2 (81-82)	
			1:2 (83-84)		Parke Davis ..			3:5 (90-91)	
Mardia Chemical ..			1:1 (92-93)		Partap Raj. Spl. St. ..			1:1 (86-87)	
Mastershares (UTI) ..	1:3	21-12-93	1:2 (91-92)		Pavan Tyres ..			1:1 (92-93)	
Mather & Platt ..			3:5 (88-89), 1:1 (85-86) &		Peria Karamalai ..			2:5 (85-86)	
			3:5 (81-82)		Periyar Chemicals ..			1:2 (88-89)	
McDowell ..			1:2 (92-93), 1:1 (86-87) &		Permanent Magnets ..			1:2 (84-85)	
			1:1 (82-83)		Philips India ..			1:5 (82-83)	
McLeod Russel ..			3:5 (89-90), 1:1 (87-88) &		Phillips Carbon ..			2:5 (83-84)	
			1:4 (84-85)		Pilani Investment ..			1:2 (85-86)	
Meenakshi (India) ..	1:1	17-3-94	N.A. (85-86)		Pinnacle Trade ..	1:1	25-1-94	1:1 (91-92)	
Methoni Tea ..			2:5 (81-82)		Pluto Exports ..			2:3 (90-91), 2:3 (89-90),	
Mettur Chemical ..					Polychem ..			1:2 (86-87) & 1:5 (82-83)	
					Polymer Paper ..			1:1 (90-91)	

* Proportion of bonus shares issued during financial year 1981-82 and onwards is given for the companies in Gangotri

LIST OF ISSUE OF BONUS SHARES (Contd.)

FROM: 1-4-1981 TO 31-3-1994

SOURCE: OFFICIAL STOCK EXCHANGES

Name of the Company	FROM 1-4-1993 TO 31-3-1994		FROM 1-4-1981 TO 31-3-1993*		Name of the Company	FROM 1-4-1993 TO 31-3-1994		FROM 1-4-1981 TO 31-3-1993*	
	Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1992-93 (Financial year given in bracket)			Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1992-93 (Financial year given in bracket)	
Polyolefins Ind.	..		1:2 (88-89) & 1:3 (82-83)		S.S.B. Ind. (S. & S. Bushings)	..		1:1 (82-83)	
Pond's India	..		1:2 (90-91), 1:1 (87-88), 1:1 (84-85) & 2:5 (81-82)		SAE (India)	..		1:1 (90-91) & 1:1 (83-84)	
Forrits & Spencer	..		3:5 (91-92) & N.A. (87-88)		SKF Bearings	..		1:1 (89-90) & 2:5 (86-87)	
Poysha Industrial	..		1:4 (82-83)		SOL Pharmaceutical	1:4	1-12-93	1:2 (82-83)	
Prakash Ind.	..		1:2 (92-93)		SRF Ltd.	..		1:2 (82-83)	
Precot Mills	..		1:1 (90-91), 1:2 (86-87) & 1:3 (81-82)		Sadhna Nitro	..		2:5 (87-88)	
Premier Automobiles	..		1:1 (86-87)		Salora Finance	..		3:4 (92-93)	
Premier Breweries	..		1:1 (88-89)		Samtel (India)	..		1:3 (88-89)	
Premier Instru.	..		1:2 (89-90)		Sandeep Holdings	1:1	4-11-93	1:2 (90-91)	
Procter & Gamble	..		4:5 (88-89), 1:2 (84-85) & 1:5 (81-82)		Sandoz (India)	..		1:2 (90-91), 2:7 (84-85) & 2:5 (81-82)	
Pudumjee Pulp	..		1:5 (82-83)		Sandvik Asia	..		1:1 (92-93) & 1:1 (84-85)	
Pullangode Rubber	..		1:2 (87-88) & 1:1 (82-83)		Sanmar Financial	..		1:1 (89-90)	
Punjab Breweries	..		1:1 (87-88)		Sapoi Tea	..		3:5 (92-93)	
Punjab Concast St.	..		1:1 (91-92)		Saraswati Indl. Synd.	..		1:1 (90-91) & 1:2 (86-87)	
Punjab Fibres	1:1	6-4-93	1:1 (92-93) & 2:5 (81-82)		Sarda Motors	..		1:2 (91-92)	
Punjab Tractors	..		1:1 (92-93) & 2:5 (81-82)		Sarda Plywood	..		1:2 (86-87)	
R. B. Rodda & Co	..		1:1 (89-90)		Sarjia Textile	..		1:1 (82-83)	
Raasi Cement	..		1:3 (88-89)		Sarvaraya Sugar	..		1:1 (92-93)	
Rajapalayam Mills	..		3:5 (87-88)		Sarvaraya Text.	..		1:1 (92-93)	
Rajasthan Spg.	..		1:1 (91-92) & 1:3 (81-82)		Saw Pipes	1:2	28-1-94		
Rajendra Coffee	..		1:1 (81-82)		Schrader Sc. Duncan	1:1	4-11-93		
Rajgarh (Assam) Tea	..		1:1 (81-82)		Scottish Assam	..		1:1 (91-92) & 1:1 (87-88)	
Rajinder Tubes	..		2:5 (91-92)		Searle (India)	..		1:2 (92-93), 1:2 (89-90), 1:1 (86-87) & 4:5 (82-83)	
Ramakrishna Steel	..		1:4 (85-86)		Secyok Tea	..		1:1 (90-91) & 1:1 (88-89)	
Ramaraju Surgical	..		1:1 (91-92)		Sesa Goa	1:1	22-5-93	2:5 (86-87)	
Ramco Ind.	..		1:2 (88-89)		Shalimar Paints	..		3:10 (82-83)	
Ramakrishna Mills	1:2	22-9-93	2:3 (90-91)		Shallimar Wires	..		1:2 (81-82)	
Ramnarayana Tex.	..		2:3 (91-92) & 2:5 (88-89)		Shaw Wallace	..		1:1 (91-92), 1:1 (87-88) & 1:2 (81-82)	
Ranbaxy Laboratory	1:2	15-5-93	1:2 (86-87) & 1:2 (81-82)		Shevroys Coffee	..		1:1 (88-89)	
Rane (Madras)	..		1:2 (89-90) & 1:2 (83-84)		Shivaji Works	..		1:1 (92-93)	
Rane Brake	..		1:1 (89-90)		Shree Ambesh Paper	7:10	21-2-94	2:3 (90-91)	
Rapicut Carbide	..		1:2 (85-86)		Shri Acids & Chem.	..		1:10 (82-83)	
Rasoi Ltd.	..		1:1 (90-91)		Shri Arbudha Mills	..		3:5 (90-91) & 3:5 (86-87)	
Rathi Alloys & Steel	..		2:5 (89-90)		Shri Krishna Polys	2:5	26-3-94	1:1 (91-92)	
Rathi Udyog	..		1:1 (87-88) & 3:5 (82-83)		Shri Dineesh Mills	..		2:5 (84-85)	
Raymond Woollen	..		3:5 (91-92), 1:1 (88-89), 2:5 (85-86) & 1:5 (81-82)		Shri Ram Pistons	..		1:1 (86-87)	
Reckitt & Colman	1:1	28-1-94	6:10 (83-84)		Shri Synthetics	..		1:1 (86-87)	
Reliance Industries	..		1:2 (85-86)		Sicca Breweries	..		1:4 (87-88) & 1:2 (82-83)	
Remington Rand	..		1:1 (87-88)		Siemens India	..		1:7 (91-92)	
Revathi — CP	..		2:3 (89-90)		Simplex Mills	..		1:2 (89-90)	
Rohit Pulp & Paper	..		1:2 (91-92), 1:2 (88-89) & 1:2 (85-86)		Sir Shadilal Ent.	..		1:1 (92-93)	
Rolcon Engineering	..		1:2 (92-93) & 1:2 (81-82)		Sivanandha Steel	..		1:2 (88-89) & 3:5 (84-85)	
Rollatainers	1:1	16-11-93	1:1 (86-87)		Siyaram Silk	..		3:5 (88-89) & 2:5 (82-83)	
Roopacherra Tea	..		1:1 (91-92)		Skol Breweries	..		1:1 (87-88), 3:8 (84-85) & 1:2 (81-82)	
Roplas India	..		1:1 (89-90)		Smith Capital Market	2:1	14-1-94	1:1 (89-90) & 1:2 (84-85)	
Rossell Ind.	..		5:2 (92-93), 1:2 (91-92) & 1:1 (89-90)		Smithline Beech (HMM)	..		1:2 (81-82)	
Ruby Mills	..		1:1 (87-88)		Somany Pilkington	..		1:2 (81-82)	
Rukmani Metals	..		N.A. (85-86)		South India Shipping	..		1:2 (83-84)	
Rungamtee Tea	..		1:1 (91-92)		Southern Asbestos	..		1:1 (86-87)	
S & S Power	..		1:1 (87-88)		Southern Petro Chem.	..		3:5 (89-90)	
S.I.C. Agencies	..		1:2 (87-88)		Spartek Ceramics	..		1:2 (89-90)	
S.I.V. Ind.	..		1:1 (83-84)		Special Steels	..		2:5 (91-92) & 2:5 (81-82)	
(South India Viscose)	..		1:1 (90-91) & 1:1 (82-83)		Standard Ind.	1:2	3-3-94	1:1 (85-86)	
S.S. Miranda	..				Standard Motors	..		1:2 (87-88) & 1:2 (84-85)	
S.R.F. Tools	..				Stanes Amalgamated	..		10:1 (92-93)	
					Stellar Plastic	..		4:5 (92-93)	
					Steel Ind.	..			

* Proportion of bonus shares issued during financial year 1981-82 and onwards is given in brackets in the order of issue.

LIST OF ISSUE OF BONUS SHARES (Contd.)

FROM: 1-4-1981 TO 31-3-1994

SOURCE: OFFICIAL STOCK EXCHANGES

Name of the Company	FROM 1-4-1983 TO 31-3-1994		FROM 1-4-1981 TO 31-3-1993*		Name of the Company	FROM 1-4-1983 TO 31-3-1994		FROM 1-4-1981 TO 31-3-1993*	
	Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1992-93 (Financial year given in bracket)			Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1992-93 (Financial year given in bracket)	
Stone India ..			2:3 (88-89) & 2:3 (84-85)		UB Limited ..			1:1 (92-93) & 1:1 (86-87)	
Stovec Industries ..			1:2 (85-87)		Udaipur Phosphates ..			1:3 (90-91)	
Sukhjit Starch ..	1:1	16-2-94	N.A. (87-88)		Ultramarine ..	1:1	18-5-93	1:1 (86-87) & 1:2 (81-82)	
Sundaram Clayton ..			2:3 (87-88)		Uma Maheswari ..	1:1	23-4-93		
					Uma Parameswari ..	1:1			
Sundaram Fasteners ..			3:5 (88-89)		Unichem Labo. ..			1:2 (86-87)	
Sundaram Finance ..			1:1 (90-91), 1:1 (86-87) & 1:2 (81-82)		United Nilgiri Tea ..			1:2 (91-92) & 1:2 (85-86)	
Sunrise Securities ..	1:1	30-11-93			United Phosphorus ..			1:1 (92-93)	
Super Spinning ..			5:7 (90-91), 2:5 (86-87) & 20:3 (81-82)		Universal Cans. ..			1:1 (92-93)	
Superforging Steel ..			2:5 (91-92)		Upper Ganges Sugar ..	1:1	19-11-93	1:2 (82-83)	
					Uttar Pradesh Hotel ..	1:1		4:5 (89-90)	
Supreme Industries ..			1:1 (92-93), 1:1 (87-88), 4:5 (85-86) & 2:5 (81-82)		V.M. Jog ..	1:1	28-2-94		
Surya-Vanshi Spg. ..			1:2 (91-92) & 1:1 (90-91)		VRW Industries ..			1:1 (92-93)	
Suryalakshmi Cotton ..			1:1 (92-93)		VST Industries ..			3:5 (91-92) & 3:5 (89-90)	
Sutlej Cotton ..			1:2 (91-92)		VXL India ..			1:1 (87-88) & 1:1 (81-82)	
Sylvania & Laxman ..			1:2 (86-87)		Vapi Paper ..			1:1 (90-91)	
					Vardhman Spg. ..			1:1 (82-83)	
20th Century Finance ..			2:5 (88-89) & 2:5 (85-86)		Veneers & Laminates ..			1:1 (81-82)	
21st Century Steels ..	1:3	16-6-93	1:1 (91-92)		Vickers Systems ..			1:3 (82-83)	
T. Stanes ..			1:2 (81-82)		Victoria Mills ..			1:4 (81-82)	
Talbro's Automotive ..			2:5 (88-89)		Vidarbha Paper ..			2:5 (81-82)	
Tamilnadu Dadha ..			1:2 (88-89)						
					Videocon Int. ..			1:1 (92-93)	
Tan India Wattle ..			1:1 (83-84)		Vijay Spg. Mills ..			1:1 (82-83)	
Tata Chemicals ..			1:2 (90-91) & 2:5 (85-86)		Vijayakumar Text. ..			1:1 (92-93) & 1:2 (81-82)	
Tata Engg. & Loco. ..			2:5 (81-82)		Vijayalakshmi Text. ..			1:2 (92-93)	
Tata Iron & Steel ..			2:5 (87-88) & 2:5 (81-82)		Vijayawada Bottling ..			1:2 (82-83)	
Tata Metals ..			1:2 (92-93)						
					Vijayeshwari Text. ..			1:1 (91-92)	
Tata Oil Mills ..			1:5 (81-82)		Vincent-Comm. ..	1:1	25-1-94		
Tata Tea ..			1:2 (92-93) & 2:5 (88-89)		Virudhunagar Text. ..			1:1 (92-93)	
Tata Unisys ..			2:5 (92-93) & 2:5 (87-88)		Volta Ltd. ..			1:2 (89-90) & 1:4 (81-82)	
Tea Estates ..			1:2 (90-91), 1:1 (87-88) & 1:1 (85-86)						
Telangana Spg. ..			1:2 (81-82)		W.S. Industries ..			1:3 (87-88) & 1:3 (81-82)	
					Walchandnagar Ind. ..			1:2 (82-83)	
Tengpani Tea ..	1:4	16-11-93	1:4 (85-86)		Warren Tea ..			1:1 (90-91) & 1:5 (85-86)	
Tezpur Tea ..			N.A. (84-85)		Wartyhully Coffee ..			1:1 (92-93)	
Thana Electric ..			1:1 (82-83)		Weizmann Finance ..			2:5 (92-93)	
Thanjavur Text. ..			1:3 (85-86)						
Thirani Chemicals ..			3:5 (91-92)		Weizmann Ind. ..			4:5 (92-93)	
					Welpun Syntex ..			3:5 (91-92)	
Thirumbadi Rubber ..			1:2 (87-88)		Western India Erectors ..			3:5 (82-83)	
Thomas Cook ..	1:1	1-12-93	1:2 (90-91) & 1:2 (87-88)		Western India Ind. ..	1:1	21-12-93		
Tide Water Oil ..	1:1	4-5-93	1:1 (81-82)		Western India Ply. ..			1:2 (88-89) & 2:5 (85-86)	
Tilaknagar Dist. ..			1:1 (87-88)						
Tirrihannah Tea ..			1:1 (92-93)		Weston Electronics ..			2:5 (88-89)	
					Wheels India ..			1:2 (87-88) & 1:2 (81-82)	
Titagar Steel ..	2:1	24-9-93			Widia (India) 'C' ..			1:2 (89-90), 1:1 (85-86) & 1:3 (82-83)	
Toshiba Anand Batt. ..			1:3 (81-82)						
Trans Freight Cont. ..	1:1	31-12-93	1:1 (92-93) & 1:1 (90-91)		Williamson Magor ..	1:1	5-11-93		
Transpek Industries ..			3:5 (92-93), 2:5 (90-91) & 4:5 (84-85)		Window Glass ..			1:1 (90-91)	
Transport Corpn. ..			1:2 (92-93) & 1:2 (85-86)						
					Wipro Ltd. (Foods) ..			1:1 (92-93), 1:1 (89-90), 1:1 (87-88) & 1:1 (85-86)	
Travancore Electro Ch. ..			1:3 (81-82)		Wires & Fabriks ..			1:1 (92-93)	
Tribeni Tissues ..			3:5 (91-92) & 1:4 (84-85)						
Trichy Distilleries ..			1:1 (88-89)		Yamuna Syndicate ..			1:1 (91-92), 1:1 (89-90) & 1:2 (81-82)	
Trichy Steel Rolling ..			1:2 (83-84)						
Triveni Engineering ..			1:2 (89-90)						
					Zandu Pharma ..			1:1 (91-92), 1:2 (89-90), 3:5 (85-86) & 2:5 (81-82)	
Triveni Sheet Glass ..			1:1 (92-93)						
Tube Investment ..			1:3 (85-86)		Zenith Export ..	24:1	30-12-93		
Tubes & Malleables ..	1:1	19-10-93			Zenith Ltd. ..			1:4 (88-89)	
Tyroon Tea ..	1:2	28-12-93	1:1 (91-92)						

* Proportion of bonus shares issued during financial year 1981-82 and onwards is given for the purposes of capital gains.

GIFT-TAX **RATES OF GIFT-TAX** **ASSESSMENT YEARS 1989-90 to 1995-96**

1. Gift-tax is chargeable on taxable gift, as stated in 2 below, is payable by the donor.
2. To arrive at taxable gifts,—
 - (a) First deduct basic exemption of—
 - (A) Rs. 20,000, upto assessment year 1993-94,
 - (B) Rs. 30,000, from assessment year 1994-95 and onwards,
 from the gifted amounts as provided in section 5(2) of the Gift-tax Act.
 - (b) the balance so arrived at is the taxable gifts;
3. Irrespective of the amount of taxable gifts as worked out in 2(b), gift-tax is chargeable on taxable gifts under section 3(2) of the Gift-tax Act, at the flat rate of 30%.

EXAMPLES

- (i) Mr. A gifted the amount of Rs. 60,000 on 1st January, 1994 (assessment year 1994-95) to Mr. B. The taxable gift would be Rs. 60,000 less Rs. 30,000¹ being basic exemption u/s. 5(2) Rs. 30,000
- Gift-tax payable on taxable gift of Rs. 30,000 at the flat rate of 30% u/s. 3(2) for assessment year 1994-95 Rs. 9,000²

- (ii) Gifts made by Mr. C during the financial year ending on 31-3-1994 (assessment year 1994-95) are:
- | | |
|--|---------------------|
| (a) Gift of Capital Investment Bonds to Mrs. C (wife) | Rs. 1,00,000 |
| (b) Gift on occasion of marriage of relative Mr. B who is dependent on Mr. C for support & maintenance | Rs. 55,000 |
| (c) Donations to approved charities to which the provisions of section 80G of the Income-tax Act applies | Rs. 50,000 |
| (d) Gifts to wife and/or son's minor child | Rs. 70,000 |
| Total gifts | Rs. 2,75,000 |

Less: Exemptions under section 5 in respect of:

- | | |
|---|---------------------------|
| (1) Capital Investment Bonds [Sec. 5(1)(iii-c)] | Rs. 1,00,000 ³ |
| (2) Gift on occasion of marriage of relative Mr. B [Sec. 5(1)(vii)] maximum restricted to | Rs. 30,000 ⁴ |
| (3) Donation to approved charities [Sec. 5(1)(v)] | Rs. 50,000 |
| (4) Basic exemption [Sec. 5(2)] | Rs. 30,000 ¹ |
| Taxable gifts | Rs. 2,10,000 |
| | Rs. 65,000 |

Gift-tax payable on taxable gifts of Rs. 65,000 @ the flat rate of 30% u/s. 3(2) for assessment year 1994-95 Rs. 19,500²

NOTE: Gifts made by an individual to spouse or his/her minor child/children or son's wife or son's minor child/children,³ is to be included in the net wealth of the donor [vide section 4(1)(a) of the Wealth-tax Act, 1957] and any income arising to donee out of the gifted amount is to be included in the hands of donor⁴ [vide section 64(1) of the Income-tax Act, 1961].

EXEMPTIONS UNDER SECTION 5 OF THE GIFT-TAX ACT:

ASSESSMENT YEARS 1994-95 & 1995-96

Exemption in respect of certain gifts.—(1) Gift-tax shall not be charged under this Act in respect of gifts made by any person—

- (i) of immovable property situate outside the territories to which this Act extends;
- (ii) of movable property situate outside the said territories unless the person—
 - (a) being an individual, is a citizen of India and is ordinarily resident in the said territories, or
 - (b) not being an individual, is resident in the said territories during the previous year in which the gift is made;
- (ii-a) being an individual who is not resident in India, to any person resident in India, of foreign currency or other foreign exchange as defined respectively, in clause (c) and clause (d) of section 2 of the Foreign Exchange Regulation Act, 1947, remitted from a country outside India in accordance with the provisions of the said Act, and any rules made thereunder, during the period commencing on the 26th day of October, 1965, and ending on the 28th day of February, 1966, or such later date as the Central Government may, by notification in the Official Gazette, specify in this behalf.

Explanation.—For the purposes of this clause, the expression "resident in India" shall have the meaning assigned to it in the Income-tax Act;

- (ii-b) being a person resident outside India, out of the moneys standing to his credit in a Non-resident (External) Account in any bank in India in accordance with the provisions of the Foreign Exchange Regulation Act, 1973, and any rules made thereunder.

Explanation.—For the purposes of this clause, "person resident outside India" has the meaning assigned to it in clause (q) of section 2 of the Foreign Exchange Regulation Act, 1973;

1. From assessment year 1994-95 and onwards, the basic exemption u/s. 5(2) is raised from Rs. 20,000 to Rs. 30,000.
2. W.e.f. 1-4-1989 (assessment year 1989-90 and onwards), section 14B states that self-assessment-tax along with interest @ the rate of 2% for every month or part of a month for late filing of return u/s. 16B is to be paid as in the case of return of income.
3. This exemption is subject to the condition that Mr. C has initially subscribed to the Capital Investment Bonds. The maximum exemption u/s. 5(1)(iii-c) is to be restricted to Rs. 10 lakhs in value in the aggregate in one or more previous years.
4. For assessment year 1994-95, the maximum exemption u/s. 5(1)(vii) has been increased from Rs. 10,000 to Rs. 30,000. From assessment year 1995-96 and onwards, the maximum exemption u/s. 5(1)(vii) has been increased from Rs. 30,000 to Rs. 1,00,000.

5. From assessment year 1993-94 and onwards, gifts made by an individual to his/her son's minor child/children, is to be included in the net wealth of his/her parents [vide amended section 4(1)(a)(ii) of the Wealth-tax Act, 1957] and any income arising to son's child/children out of the gifted amount is also to be included in the income of his/her parents and not in the hands of the donor [vide section 64(1A) of the Income-tax Act, 1961].

- (ii-c) being a citizen of India, or a person of Indian origin, who is not resident in India, to any relative of such person in India, of convertible foreign exchange remitted from a country outside India in accordance with the provisions of the Foreign Exchange Regulation Act, 1973, and any rules made thereunder.

Explanation.—For the purposes of this clause and clause (iia),—

- (a) a person shall be deemed to be of Indian origin if he or either of his parents or any of his grand-parents was born in undivided India;
- (b) “convertible foreign exchange” means foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purposes of the Foreign Exchange Regulation Act, 1973, and any rules made thereunder;
- (c) “relative” has the meaning assigned to it in clause (41) of section 2 of the Income-tax Act;
- (d) “resident in India” shall have the meaning assigned to it in the Income-tax Act;
- (ii-d) being a citizen of India or a person of Indian origin, who is not resident in India, to any relative of such person in India of property in the form of any foreign exchange asset as defined in clause (b) of section 115C of the Income-tax Act;
- (ii-e) being an individual who is a non-resident Indian, once out of the moneys standing to his credit in an account opened and operated in accordance with the Non-resident (Non-repatriable) Rupee Deposit Scheme, 1992.

Explanation.—For the purposes of this clause, “non-resident Indian” shall have the meaning assigned to it in clause

- (e) of section 115C of the Income-tax Act;
- (iii) of property in the form of savings certificates issued by the Central Government, which that Government, by notification in the Official Gazette, exempts from gift-tax;
- (iii-a) *this clause is omitted with effect from 1-4-1987;*
- (iii-b) of property in the form of Special Bearer Bonds, 1991;
- (iii-c) being an individual or a Hindu undivided family, of property in the form of such Capital Investment Bonds as the Central Government may, by notification in the Official Gazette, specify in this behalf subject to a maximum of rupees ten lakhs in value in the aggregate in one or more previous years:

Provided that the exemption conferred by this clause shall be available only to a person who has initially subscribed to the said Bonds;

- (iii-d) being an individual or a Hindu undivided family, of property in the form of such Relief Bonds, as the Central Government may, by notification in the Official Gazette, specify in this behalf subject to a maximum of rupees five lakhs in value in the aggregate in one or more previous years:

Provided that the exemption conferred by this clause shall be available only to a person who has initially subscribed to the said Bonds;

- (iii-e) being an individual who is a non-resident Indian, of property in the form of the bonds specified under sub-clause (iia) of clause (15) of section 10 of the Income-tax Act:

Provided that where an individual, who is a non-resident Indian in any previous year in which the bonds are acquired, becomes a resident in India in any subsequent year, the provisions of this clause shall apply in respect of the gifts of property referred to in this clause in such subsequent year or any year thereafter.

Explanation.—For the purposes of this clause, the expressions—

- (a) *this clause is omitted with effect from 1-4-1991 by the Finance (No. 2) Act, 1991;*
- (b) “non-resident Indian” shall have the meaning assigned to it in clause (c) of section 115C of the Income-tax Act;
- (iv) to the Government or any local authority or any authority referred to in clause (20A) of section 10 of the Income-tax Act;
- (v) to any institution or fund established or deemed to be established for a charitable purpose to which the provisions of section 80-G of the Income-tax Act apply;
- (v-a) (i) to such temple, mosque, gurdwara, church or other place as has been notified by the Central Government for the purposes of clause (b) of sub-section (2) of section 80-G of the Income-tax Act, 1961; or
- (ii) by way of settlement on trust, of property the income from which, according to the deed of settlement, is to be used exclusively in connection with the temple, mosque, gurdwara, church or other place specified therein and notified as aforesaid;
- (vi) *this clause is omitted with effect from 1-4-1987;*
- (vii) to any relative dependent upon him for support and maintenance, on the occasion of the marriage of the relative, subject to a maximum of rupees thirty thousand⁶ in value in respect of the marriage of each such relative;
- (viii) & (ix) *these clauses are omitted with effect from 1-4-1987;*
- (x) under a will;
- (xi) in contemplation of death;
- (xii) for the education of his children, to the extent to which the gifts are proved to the satisfaction of the Assessing Officer as being reasonable having regard to the circumstances of the case;
- (xiii) being an employer, to any employee by way of bonus, gratuity or pension or to the dependents of a deceased employee, to the extent to which the payment of such bonus, gratuity or pension is proved to the satisfaction of the Assessing Officer as being reasonable having regard to the circumstances of the case and is made solely in recognition of the services rendered by the employee;
- (xiv) *this clause is omitted with effect from 1-4-1987;*
- (xv) to any person in charge of any such *Bhoodan* or *Sampattidan* movement as the Central Government may, by notification in the Official Gazette, specify;

(2) Without prejudice to the provisions contained in sub-section (1), gift-tax shall not be charged under this Act in respect of gifts made by any person during the previous year, subject to a maximum of rupees thirty thousand⁷ in value.

6. For assessment years 1989-90 to 1993-94, for the words, ‘thirty thousand’ read ‘ten thousand’. For assessment year 1995-96 and onwards, for the words, ‘thirty thousand’ read ‘one hundred thousand’.

7. For assessment years 1989-90 to 1993-94, for the words, ‘thirty thousand’ read ‘twenty thousand’.

EXAMPLES FOR GIFT-TAX

Rebate on advance payments:

(Section 18 of the Gift-tax Act)

Section 18 of the Gift-tax Act, 1958 provides for rebate in payment of "advance gift-tax" subject to the following condition and limit:

Condition:

The "advance gift-tax" is paid within 15 days of making the gift. If the last date for paying advance gift-tax is a holiday or Sunday, it can be paid on the following working day and still qualify for rebate [Refer Circular No. 5-GT, dt. 19-9-58. 35 ITR (St.) 25].

Limit:

The rebate shall not exceed:

(a) One-ninth of the advance gift-tax paid; or

(b) one-tenth of the gift-tax due at the rate specified in section 3(2) viz. @ 30%, whichever is less.

In order to obtain the maximum relief in payment of gift-tax, it is recommended that 90% of the gift-tax due is paid by way of "advance gift-tax" in anticipation of rebate allowable at the time of regular assessment.

ASSESSMENT YEAR 1995-96:

EXAMPLE:

Date of gift	Gift	Cumulative gifts	Cumulative taxable gifts	Gross gift-tax for each gift	Rebate @ 10%	Advance gift-tax to be paid by the donor for each gift	Last date by which advance gift-tax to be paid
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
30-4-94	5,000	5,000	Nil	Nil	N.A.	Nil	N.A.
1-6-94	25,000	30,000	Nil	Nil	N.A.	Nil	N.A.
4-6-94	80,000	1,10,000	80,000 ^a	24,000 ^a	2,400	21,600	20-6-94 ^b
	<u>1,10,000</u>			<u>24,000</u>	<u>2,400</u>	<u>21,600</u>	

EXAMPLES FOR DEDUCTION OF STAMP DUTY FROM GIFT-TAX:

(Section 18A)

Assessment years 1994-95 & 1995-96:

	Mr. A	Mr. B
Amount gifted by	Rs. 31,000	Rs. 50,000
Less: Basic exemption under section 5(2)	Rs. 30,000	Rs. 30,000
Taxable gift	Rs. 1,000	Rs. 20,000
Gift-tax @ 30% on taxable gift	Rs. 300	Rs. 6,000
Less: Stamp duty paid Rs. 500 ¹⁰		Less: Stamp duty paid Rs. 2,000 ¹⁰
Deduction permissible ¹⁰	Rs. 150	Deduction permissible ¹⁰ Rs. 2,000
Gift-tax payable by the donor	Rs. 150	Rs. 4,000

8. Gift-tax @ flat rate of 30% on taxable gifts of Rs. 80,000 [Rs. 1,10,000 less Rs. 30,000 basic exemption u/s. 5(2)].

9. If the last date for paying advance gift-tax is a holiday or Sunday, it can be paid on the following working day and still qualify for rebate; 19-6-94 is Sunday, therefore the payment on the following day qualifies for rebate.

10. Deduction is to be restricted to one-half of gift-tax payable or the amount of stamp duty paid, whichever is less.

SALARY INCOME

EXAMPLE

For computing taxable income under the head "Salaries" during the financial year ending on 31-3-1995
ASSESSMENT YEAR 1995-96

The estimated annual salary of Mr. A an employee:

(1) Salary Rs. 4,500 × 12	Rs. 54,000
(2) Children Educational Allowance paid by the employer @ Rs. 100 p.m. for three children of the employee i.e., Rs. 100 p.m. × 12 months × 3	Rs. 3,600
Less: Amount exempt u/s. 10(14)(ii) read with Notification No. S.O.144(E) Dt. 21-2-1989 @ Rs. 50 per month per child upto a maximum of two children i.e., Rs. 50 p.m. × 12 months × 2	Rs. 1,200
	Rs. 2,400
(3) Perquisite in respect of rent-free furnished accommodation determined in accordance with Rule 3(a) (For the manner and method of computation of this perquisite, refer pp. 70-72)	Rs. 7,080
Base for deduction under section 16	Rs. 63,480

Less: (1) Standard deduction under section 16(i)††:

@ 33⅓% of salary of Rs. 63,480 Rs. 21,160

Maximum deduction restricted to Rs. 15,000†

(2) Deduction under section 16(iii) for profession tax:

Profession tax deducted, say @ Rs. 40 p.m. × 12 months Rs. 480

Estimated annual salary from which tax is to be deducted at source Rs. 48,000

Income-tax chargeable on estimated annual salary of Rs. 48,000 (Refer page 291) Rs. 2,600

Less: Rebate of (deduction from) income-tax u/s. 88*:

(a) Life insurance premia paid Rs. 1,000

(b) Contributions to Provident Fund out of current year's salary Rs. 3,600

Total Rs. 4,600

Deduction @ 20% of Rs. 4,600 from the amount of income-tax Rs. *920

Income-tax on estimated annual salary of Rs. 48,000 Rs. 1,680

Deduction of tax every month would be (Rs. 1,680 ÷ 12) Rs. 140

In addition to salary, the employee has the following sources of income:

1. Estimated annual salary as computed above	Rs. 48,000
2. Interest on deposits with Banks	Rs. 6,000
3. Interest on securities	Rs. 240

Gross total income Rs. 54,240

Less: Deduction under section 80L: Interest on deposits with Banks Rs. 6,000

Total (taxable) income Rs. 48,240

Computation of income-tax:

Income-tax chargeable on Rs. 48,240 (Refer pp. 290-291) Rs. 2,648

Less: (1) Rebate of (deduction from) income-tax u/s. 88 as computed above Rs. 920

(2) Tax deducted by employer on salary income Rs. 1,680

Tax payable on self-assessment, if no advance tax** has been paid Rs. 48

†† Standard deduction [i.e. on % basis subject to a maximum of Rs. 15,000† u/s. 16(i)] is also allowable to the employee who is entitled to conveyance facilities (i.e. motor car or conveyance) from employer. Further, use of any vehicle provided to the employee for journey by the employee, from his residence to his office or other place of work, or from office or such place to his residence, will not be treated as any benefit or amenity granted or provided free of cost or at concessional rate as perquisite in the hands of the employee. It may be noted that standard deduction u/s. 16(i) is to be computed on the aggregate amount of salary due in cases where an employee is in receipt of salary from more than one employer during the year.

† In the case of an employee, being a woman, whose total income before making any deduction u/s. 16(i) does not exceed Rs. 75,000, maximum deduction restricted in her case is Rs. 18,000 [Proviso to section 16(i)].

* A deduction @ 20% of the aggregate sums invested or deposited in specified savings referred to in section 88 viz life insurance premia, NSC VIII Issue, provident fund, etc. (Refer pp. 205-209), will be allowed from the income-tax chargeable on taxable income as explained above.

** The employee is required to pay "advance tax" in three instalments in the manner explained on pp. 279-280, if the advance tax as computed under section 209 is Rs. 1,500 or more [Refer section 208].

Note: Under section 192(2B), an employee having salary income in addition to income under any other head (but not loss) has option to furnish in the prescribed Form No. 12C the details of other income and tax deducted thereon to his employer who shall deduct out of salary payment the tax due on total income (as reduced by tax deducted at source on other incomes, if any). However, provisions of section 192(2B) shall not apply in the cases where it has effect of reducing the tax deductible from the income under the head "Salaries" below the amount that would be so deductible if the other income and the tax deducted thereon had not been taken into account. In view of omission of section 139(1A), an employee whose taxable income, for the year ending 31-3-1993/31-3-1994/31-3-1995, exceeds Rs. 28,000/Rs. 30,000/Rs. 35,000 is required to file his return of income by 30-6-1993/30-6-1994/30-6-1995, respectively.

FOR MONTHLY SALARY INCOME BETWEEN Rs. 2,901 & Rs. 3,140

Amount of tax to be deducted per month† during the Financial year 1994-95

†Before you proceed to refer this table, please refer explanatory note marked "IMPORTANT" below.

† IMPORTANT

Income-tax is to be arrived at with reference to table given, on the taxable salary, that is gross salary income as reduced by deductions u/s. 16(I), 16(III), 80D, 80DD and 80GG. From the income-tax so arrived at, the following rebates of (deduction from) income-tax is to be allowed u/s. 88 & 88B to arrive at the income-tax payable:

- (a) in respect of aggregate sums invested or deposited in specified savings, referred to in section 88 [Refer pp. 205-209]:
- (1) 20% of such savings, in the case of an individual [other than (2) below].
 - (2) 25% of such savings, in the case of an individual, whose total income, derived from the exercise of his profession as an author, playwright, artist, musician, actor or sportsman (including an athlete), is 25% or more of his total income [Proviso to section 88(1)].
- (b) 40% of the tax payable by resident individual who is of the age of 65 years or more at any time during the previous year and whose gross total income does not exceed Rs. 1,00,000. 'Gross total income' means total income determined under the Act, before making any deduction under Chapter VIA of the Act [Section 88B].

NOTES:

1. The rebate under section 88 from income-tax will be limited to Rs. 12,000. That is maximum amount of savings can be Rs. 60,000. In the case of an individual, whose income, derived from the exercise of his profession as an author, playwright, artist, musician, actor or sportsman (including an athlete), is 25% or more of his total income, the said rebate is upto Rs. 17,500. That is maximum amount of savings can be Rs. 70,000 in their cases [Section 88(6)].
2. The rebate under sections 88 & 88B will be limited to income-tax chargeable, before allowing the said rebates, on the taxable salary [Section 87(2)].
3. The table given hereunder is before the rebates u/s. 88 & 88B. The example given on page 272 illustrates the manner and method of determining the tax to be deducted at source.

MONTHLY SALARY BETWEEN Rs. 2,901 & Rs. 3,020

MONTHLY SALARY BETWEEN Rs. 3,021 & Rs. 3,140

Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.
2901	—	2931	2.87	2961	8.87	2991	14.87	3021	20.87	3051	26.87	3081	32.87	3111	38.87
02	—	32	3.07	62	9.07	92	15.07	22	21.07	52	27.07	82	33.07	12	39.07
03	—	33	3.27	63	9.27	93	15.27	23	21.27	53	27.27	83	33.27	13	39.27
04	—	34	3.47	64	9.47	94	15.47	24	21.47	54	27.47	84	33.47	14	39.47
05	—	35	3.67	65	9.67	95	15.67	25	21.67	55	27.67	85	33.67	15	39.67
06	—	36	3.87	66	9.87	96	15.87	26	21.87	56	27.87	86	33.87	16	39.87
07	—	37	4.07	67	10.07	97	16.07	27	22.07	57	28.07	87	34.07	17	40.07
08	—	38	4.27	68	10.27	98	16.27	28	22.27	58	28.27	88	34.27	18	40.27
09	—	39	4.47	69	10.47	99	16.47	29	22.47	59	28.47	89	34.47	19	40.47
2910	—	2940	4.67	2970	10.67	3000	16.67	3030	22.67	3060	28.67	3090	34.67	3120	40.67
2911	—	2941	4.87	2971	10.87	3001	16.87	3031	22.87	3061	28.87	3091	34.87	3121	40.87
12	—	42	5.07	72	11.07	02	17.07	32	23.07	62	29.07	92	35.07	22	41.07
13	—	43	5.27	73	11.27	03	17.27	33	23.27	63	29.27	93	35.27	23	41.27
14	—	44	5.47	74	11.47	04	17.47	34	23.47	64	29.47	94	35.47	24	41.47
15	—	45	5.67	75	11.67	05	17.67	35	23.67	65	29.67	95	35.67	25	41.67
16	—	46	5.87	76	11.87	06	17.87	36	23.87	66	29.87	96	35.87	26	41.87
17	—	47	6.07	77	12.07	07	18.07	37	24.07	67	30.07	97	36.07	27	42.07
18	0.27	48	6.27	78	12.27	08	18.27	38	24.27	68	30.27	98	36.27	28	42.27
19	0.47	49	6.47	79	12.47	09	18.47	39	24.47	69	30.47	99	36.47	29	42.47
2920	0.67	2950	6.67	2980	12.67	3010	18.67	3040	24.67	3070	30.67	3100	36.67	3130	42.67
2921	0.87	2951	6.87	2981	12.87	3011	18.87	3041	24.87	3071	30.87	3101	36.87	3131	42.87
22	1.07	52	7.07	82	13.07	12	19.07	42	25.07	72	31.07	02	37.07	32	43.07
23	1.27	53	7.27	83	13.27	13	19.27	43	25.27	73	31.27	03	37.27	33	43.27
24	1.47	54	7.47	84	13.47	14	19.47	44	25.47	74	31.47	04	37.47	34	43.47
25	1.67	55	7.67	85	13.67	15	19.67	45	25.67	75	31.67	05	37.67	35	43.67
26	1.87	56	7.87	86	13.87	16	19.87	46	25.87	76	31.87	06	37.87	36	43.87
27	2.07	57	8.07	87	14.07	17	20.07	47	26.07	77	32.07	07	38.07	37	44.07
28	2.27	58	8.27	88	14.27	18	20.27	48	26.27	78	32.27	08	38.27	38	44.27
29	2.47	59	8.47	89	14.47	19	20.47	49	26.47	79	32.47	09	38.47	39	44.47
2930	2.67	2960	8.67	2990	14.67	3020	20.67	3050	26.67	3080	32.67	3110	38.67	3140	44.67

* Monthly taxable Salary is arrived at after taking into consideration the deductions permissible u/s. 16(I) [Refer note (2) below], u/s. 16(III) for profession tax paid/deducted and Chapter VIA [viz. section 80D, 80DD, 80GG] of the Income-tax Act.

- Notes:
- (1) For perquisites, benefits and other allowances, please refer example on page 272.
 - (2) Standard deduction u/s. 16(I) 33 1/3% of salary subject to a maximum of Rs. 15,000 p.a. [Rs. 18,000 p.a. in the case of a woman employee whose annual total income before making any deduction u/s. 16(I) does not exceed Rs. 75,000] is to be allowed.
 - (3) For rebate (deduction) allowable u/s. 88, in respect of life insurance premia, contribution to Provident Fund, subscription to notified units of Mutual Fund and purchase of National Savings Certificates VIII Issue, etc. etc., refer pp. 205-209.
 - (4) For tax on estimated annual salary income, please refer pp. 299-301.

FOR MONTHLY SALARY INCOME BETWEEN Rs. 3,141 & Rs. 3,540

Amount of tax to be deducted per month† during the Financial year 1994-95

†Before you proceed to refer this table, please refer explanatory note marked "IMPORTANT" on page 273.

MONTHLY SALARY BETWEEN Rs. 3,141 & Rs. 3,340								MONTHLY SALARY BETWEEN Rs. 3,341 & Rs. 3,540							
Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.
3141	44.87	3191	54.87	3241	64.87	3291	74.87	3341	84.87	3391	94.87	3441	104.87	3491	114.87
42	45.07	92	55.07	42	65.07	92	75.07	42	85.07	92	95.07	42	105.07	92	115.07
43	45.27	93	55.27	43	65.27	93	75.27	43	85.27	93	95.27	43	105.27	93	115.27
44	45.47	94	55.47	44	65.47	94	75.47	44	85.47	94	95.47	44	105.47	94	115.47
45	45.67	95	55.67	45	65.67	95	75.67	45	85.67	95	95.67	45	105.67	95	115.67
46	45.87	96	55.87	46	65.87	96	75.87	46	85.87	96	95.87	46	105.87	96	115.87
47	46.07	97	56.07	47	66.07	97	76.07	47	86.07	97	96.07	47	106.07	97	116.07
48	46.27	98	56.27	48	66.27	98	76.27	48	86.27	98	96.27	48	106.27	98	116.27
49	46.47	99	56.47	49	66.47	99	76.47	49	86.47	99	96.47	49	106.47	99	116.47
3150	46.67	3200	56.67	3250	66.67	3300	76.67	3350	86.67	3400	96.67	3450	106.67	3500	116.67
3151	46.87	3201	56.87	3251	66.87	3301	76.87	3351	86.87	3401	96.87	3451	106.87	3501	116.87
52	47.07	02	57.07	52	67.07	02	77.07	52	87.07	02	97.07	52	107.07	02	117.07
53	47.27	03	57.27	53	67.27	03	77.27	53	87.27	03	97.27	53	107.27	03	117.27
54	47.47	04	57.47	54	67.47	04	77.47	54	87.47	04	97.47	54	107.47	04	117.47
55	47.67	05	57.67	55	67.67	05	77.67	55	87.67	05	97.67	55	107.67	05	117.67
56	47.87	06	57.87	56	67.87	06	77.87	56	87.87	06	97.87	56	107.87	06	117.87
57	48.07	07	58.07	57	68.07	07	78.07	57	88.07	07	98.07	57	108.07	07	118.07
58	48.27	08	58.27	58	68.27	08	78.27	58	88.27	08	98.27	58	108.27	08	118.27
59	48.47	09	58.47	59	68.47	09	78.47	59	88.47	09	98.47	59	108.47	09	118.47
3160	48.67	3210	58.67	3260	68.67	3310	78.67	3360	88.67	3410	98.67	3460	108.67	3510	118.67
3161	48.87	3211	58.87	3261	68.87	3311	78.87	3361	88.87	3411	98.87	3461	108.87	3511	118.87
62	49.07	12	59.07	62	69.07	12	79.07	62	89.07	12	99.07	62	109.07	12	119.07
63	49.27	13	59.27	63	69.27	13	79.27	63	89.27	13	99.27	63	109.27	13	119.27
64	49.47	14	59.47	64	69.47	14	79.47	64	89.47	14	99.47	64	109.47	14	119.47
65	49.67	15	59.67	65	69.67	15	79.67	65	89.67	15	99.67	65	109.67	15	119.67
66	49.87	16	59.87	66	69.87	16	79.87	66	89.87	16	99.87	66	109.87	16	119.87
67	50.07	17	60.07	67	70.07	17	80.07	67	90.07	17	100.07	67	110.07	17	120.07
68	50.27	18	60.27	68	70.27	18	80.27	68	90.27	18	100.27	68	110.27	18	120.27
69	50.47	19	60.47	69	70.47	19	80.47	69	90.47	19	100.47	69	110.47	19	120.47
3170	50.67	3220	60.67	3270	70.67	3320	80.67	3370	90.67	3420	100.67	3470	110.67	3520	120.67
3171	50.87	3221	60.87	3271	70.87	3321	80.87	3371	90.87	3421	100.87	3471	110.87	3521	120.87
72	51.07	22	61.07	72	71.07	22	81.07	72	91.07	22	101.07	72	111.07	22	121.07
73	51.27	23	61.27	73	71.27	23	81.27	73	91.27	23	101.27	73	111.27	23	121.27
74	51.47	24	61.47	74	71.47	24	81.47	74	91.47	24	101.47	74	111.47	24	121.47
75	51.67	25	61.67	75	71.67	25	81.67	75	91.67	25	101.67	75	111.67	25	121.67
76	51.87	26	61.87	76	71.87	26	81.87	76	91.87	26	101.87	76	111.87	26	121.87
77	52.07	27	62.07	77	72.07	27	82.07	77	92.07	27	102.07	77	112.07	27	122.07
78	52.27	28	62.27	78	72.27	28	82.27	78	92.27	28	102.27	78	112.27	28	122.27
79	52.47	29	62.47	79	72.47	29	82.47	79	92.47	29	102.47	79	112.47	29	122.47
3180	52.67	3230	62.67	3280	72.67	3330	82.67	3380	92.67	3430	102.67	3480	112.67	3530	122.67
3181	52.87	3231	62.87	3281	72.87	3331	82.87	3381	92.87	3431	102.87	3481	112.87	3531	122.87
82	53.07	32	63.07	82	73.07	32	83.07	82	93.07	32	103.07	82	113.07	32	123.07
83	53.27	33	63.27	83	73.27	33	83.27	83	93.27	33	103.27	83	113.27	33	123.27
84	53.47	34	63.47	84	73.47	34	83.47	84	93.47	34	103.47	84	113.47	34	123.47
85	53.67	35	63.67	85	73.67	35	83.67	85	93.67	35	103.67	85	113.67	35	123.67
86	53.87	36	63.87	86	73.87	36	83.87	86	93.87	36	103.87	86	113.87	36	123.87
87	54.07	37	64.07	87	74.07	37	84.07	87	94.07	37	104.07	87	114.07	37	124.07
88	54.27	38	64.27	88	74.27	38	84.27	88	94.27	38	104.27	88	114.27	38	124.27
89	54.47	39	64.47	89	74.47	39	84.47	89	94.47	39	104.47	89	114.47	39	124.47
3190	54.67	3240	64.67	3290	74.67	3340	84.67	3390	94.67	3440	104.67	3490	114.67	3540	124.67

* Monthly taxable Salary is arrived at after taking into consideration the deductions permissible u/s. 16(I) [Refer note (2) below], u/s. 16(III) for profession tax paid/deducted and Chapter VIA [viz. section 80D, 80DD, 80GG] of the Income-tax Act.

- Notes:
- (1) For perquisites, benefits and other allowances, please refer example on page 272.
 - (2) Standard deduction u/s. 16(I) @ 33% of salary subject to a maximum of Rs. 15,000 p.a. [Rs. 18,000 p.a. in the case of a woman employee whose annual total income before making any deduction u/s. 16(I) does not exceed Rs. 75,000] is to be allowed.
 - (3) For rebate (deduction) allowable u/s. 88, in respect of life insurance premia, contribution to Provident Fund, subscription to notified units of Mutual Fund and purchase of National Savings Certificates VIII Issue, etc. etc., refer pp. 205-209.
 - (4) For tax on estimated annual salary income, please refer pp. 200-201.

FOR MONTHLY SALARY INCOME BETWEEN Rs. 3,541 & Rs. 5,740

Amount of tax to be deducted per month† during the Financial year 1994-95

†Before you proceed to refer this table, please refer explanatory note marked "IMPORTANT" on page 273.

MONTHLY SALARY BETWEEN Rs. 3,541 & Rs. 3,740								MONTHLY SALARY BETWEEN Rs. 3,750 & Rs. 5,740							
Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.
3541	124.87	3591	134.87	3641	144.87	3691	154.87	3750	166.67	4250	266.67	4750	366.67	5250	491.67
42	125.07	92	135.07	42	145.07	92	155.07	60	168.67	60	268.67	60	368.67	60	494.67
43	125.27	93	135.27	43	145.27	93	155.27	70	170.67	70	270.67	70	370.67	70	497.67
44	125.47	94	135.47	44	145.47	94	155.47	80	172.67	80	272.67	80	372.67	80	500.67
3545	125.67	3595	135.67	3645	145.67	3695	155.67	3790	174.67	4290	274.67	4790	374.67	5290	503.67
3546	125.87	3596	135.87	3646	145.87	3696	155.87	3800	176.67	4300	276.67	4800	376.67	5300	506.67
47	126.07	97	136.07	47	146.07	97	156.07	10	178.67	10	278.67	10	378.67	10	509.67
48	126.27	98	136.27	48	146.27	98	156.27	20	180.67	20	280.67	20	380.67	20	512.67
49	126.47	99	136.47	49	146.47	99	156.47	30	182.67	30	282.67	30	382.67	30	515.67
3550	126.67	3600	136.67	3650	146.67	3700	156.67	3840	184.67	4340	284.67	4840	384.67	5340	518.67
3551	126.87	3601	136.87	3651	146.87	3701	156.87	3850	186.67	4350	286.67	4850	386.67	5350	521.67
52	127.07	02	137.07	52	147.07	02	157.07	60	188.67	60	288.67	60	388.67	60	524.67
53	127.27	03	137.27	53	147.27	03	157.27	70	190.67	70	290.67	70	390.67	70	527.67
54	127.47	04	137.47	54	147.47	04	157.47	80	192.67	80	292.67	80	392.67	80	530.67
3555	127.67	3605	137.67	3655	147.67	3705	157.67	3890	194.67	4390	294.67	4890	394.67	5390	533.67
3556	127.87	3606	137.87	3656	147.87	3706	157.87	3900	196.67	4400	296.67	4900	396.67	5400	536.67
57	128.07	07	138.07	57	148.07	07	158.07	10	198.67	10	298.67	10	398.67	10	539.67
58	128.27	08	138.27	58	148.27	08	158.27	20	200.67	20	300.67	20	400.67	20	542.67
59	128.47	09	138.47	59	148.47	09	158.47	30	202.67	30	302.67	30	402.67	30	545.67
3560	128.67	3610	138.67	3660	148.67	3710	158.67	3940	204.67	4440	304.67	4940	404.67	5440	548.67
3561	128.87	3611	138.87	3661	148.87	3711	158.87	3950	206.67	4450	306.67	4950	406.67	5450	551.67
62	129.07	12	139.07	62	149.07	12	159.07	60	208.67	60	308.67	60	408.67	60	554.67
63	129.27	13	139.27	63	149.27	13	159.27	70	210.67	70	310.67	70	410.67	70	557.67
64	129.47	14	139.47	64	149.47	14	159.47	80	212.67	80	312.67	80	412.67	80	560.67
3565	129.67	3615	139.67	3665	149.67	3715	159.67	3990	214.67	4490	314.67	4990	414.67	5490	563.67
3566	129.87	3616	139.87	3666	149.87	3716	159.87	4000	216.67	4500	316.67	5000	416.67	5500	566.67
67	130.07	17	140.07	67	150.07	17	160.07	10	218.67	10	318.67	10	418.67	10	569.67
68	130.27	18	140.27	68	150.27	18	160.27	20	220.67	20	320.67	20	420.67	20	572.67
69	130.47	19	140.47	69	150.47	19	160.47	30	222.67	30	322.67	30	422.67	30	575.67
3570	130.67	3620	140.67	3670	150.67	3720	160.67	4040	224.67	4540	324.67	5040	424.67	5540	578.67
3571	130.87	3621	140.87	3671	150.87	3721	160.87	4050	226.67	4550	326.67	5050	426.67	5550	581.67
72	131.07	22	141.07	72	151.07	22	161.07	60	228.67	60	328.67	60	428.67	60	584.67
73	131.27	23	141.27	73	151.27	23	161.27	70	230.67	70	330.67	70	430.67	70	587.67
74	131.47	24	141.47	74	151.47	24	161.47	80	232.67	80	332.67	80	432.67	80	590.67
3575	131.67	3625	141.67	3675	151.67	3725	161.67	4090	234.67	4590	334.67	5090	434.67	5590	593.67
3576	131.87	3626	141.87	3676	151.87	3726	161.87	4100	236.67	4600	336.67	5100	436.67	5600	596.67
77	132.07	27	142.07	77	152.07	27	162.07	10	238.67	10	338.67	10	438.67	10	599.67
78	132.27	28	142.27	78	152.27	28	162.27	20	240.67	20	340.67	20	440.67	20	602.67
79	132.47	29	142.47	79	152.47	29	162.47	30	242.67	30	342.67	30	442.67	30	605.67
3580	132.67	3630	142.67	3680	152.67	3730	162.67	4140	244.67	4640	344.67	5140	444.67	5640	608.67
3581	132.87	3631	142.87	3681	152.87	3731	162.87	4150	246.67	4650	346.67	5150	446.67	5650	611.67
82	133.07	32	143.07	82	153.07	32	163.07	60	248.67	60	348.67	60	448.67	60	614.67
83	133.27	33	143.27	83	153.27	33	163.27	70	250.67	70	350.67	70	450.67	70	617.67
84	133.47	34	143.47	84	153.47	34	163.47	80	252.67	80	352.67	80	452.67	80	620.67
3585	133.67	3635	143.67	3685	153.67	3735	163.67	4190	254.67	4690	354.67	5190	448.67	5690	623.67
3586	133.87	3636	143.87	3686	153.87	3736	163.87	4200	256.67	4700	356.67	5200	450.67	5700	626.67
87	134.07	37	144.07	87	154.07	37	164.07	10	258.67	10	358.67	10	454.67	10	629.67
88	134.27	38	144.27	88	154.27	38	164.27	20	260.67	20	360.67	20	456.67	20	632.67
89	134.47	39	144.47	89	154.47	39	164.47	30	262.67	30	362.67	30	458.67	30	635.67
3590	134.67	3640	144.67	3690	154.67	3740	164.67	4240	264.67	4740	364.67	5240	460.67	5740	638.67

* Monthly taxable Salary is arrived at after taking into consideration the deductions permissible u/s. 16(I) [Refer note (2) below], u/s. 16(III) for profession tax paid/deducted and Chapter VIA [viz. section 80D, 80DD, 80GG] of the Income-tax Act.

Notes:

- (1) For perquisites, benefits and other allowances, please refer example on page 272.
- (2) Standard deduction u/s. 16(I) @ 33 1/3 % of salary subject to a maximum of Rs. 15,000 p.a. [Rs. 18,000 p.a. in the case of a woman employee whose annual total income before making any deduction u/s. 16(I) does not exceed Rs. 75,000] is to be allowed.
- (3) For rebate (deduction) allowable u/s. 88, in respect of life insurance premia, contribution to Provident Fund, subscription to notified units of Mutual Fund and purchase of National Savings Certificates VIII Issue, etc. etc., refer pp. 205-209.
- (4) For tax on estimated annual salary income, please refer pp. 290-292.

FOR MONTHLY SALARY INCOME BETWEEN Rs. 5,750 & Rs. 11,300

Amount of tax to be deducted per month† during the Financial year 1994-95

†Before you proceed to refer this table, please refer explanatory note marked "IMPORTANT" on page 273.

MONTHLY SALARY BETWEEN Rs. 5,750 & Rs. 8,300						MONTHLY SALARY BETWEEN Rs. 8,320 & Rs. 11,300					
Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.
5750	641.67	6320	812.67	7320	1112.67	8320	1412.67	9320	1712.67	10320	2044.67
60	644.67	40	818.67	40	1118.67	40	1418.67	40	1718.67	40	2052.67
70	647.67	60	824.67	60	1124.67	60	1424.67	60	1724.67	60	2060.67
80	650.67	80	830.67	80	1130.67	80	1430.67	80	1730.67	80	2068.67
5790	653.67	6400	836.67	7400	1136.67	8400	1436.67	9400	1736.67	10400	2076.67
5800	656.67	6420	842.67	7420	1142.67	8420	1442.67	9420	1742.67	10420	2084.67
10	659.67	40	848.67	40	1148.67	40	1448.67	40	1748.67	40	2092.67
20	662.67	60	854.67	60	1154.67	60	1454.67	60	1754.67	60	2100.67
30	665.67	80	860.67	80	1160.67	80	1460.67	80	1760.67	80	2108.67
5840	668.67	6500	866.67	7500	1166.67	8500	1466.67	9500	1766.67	10500	2116.67
5850	671.67	6520	872.67	7520	1172.67	8520	1472.67	9520	1772.67	10520	2124.67
60	674.67	40	878.67	40	1178.67	40	1478.67	40	1778.67	40	2132.67
70	677.67	60	884.67	60	1184.67	60	1484.67	60	1784.67	60	2140.67
80	680.67	80	890.67	80	1190.67	80	1490.67	80	1790.67	80	2148.67
5890	683.67	6600	896.67	7600	1196.67	8600	1496.67	9600	1796.67	10600	2156.67
5900	686.67	6620	902.67	7620	1202.67	8620	1502.67	9620	1802.67	10620	2164.67
10	689.67	40	908.67	40	1208.67	40	1508.67	40	1808.67	40	2172.67
20	692.67	60	914.67	60	1214.67	60	1514.67	60	1814.67	60	2180.67
30	695.67	80	920.67	80	1220.67	80	1520.67	80	1820.67	80	2188.67
5940	698.67	6700	926.67	7700	1226.67	8700	1526.67	9700	1826.67	10700	2196.67
5950	701.67	6720	932.67	7720	1232.67	8720	1532.67	9720	1832.67	10720	2204.67
60	704.67	40	938.67	40	1238.67	40	1538.67	40	1838.67	40	2212.67
70	707.67	60	944.67	60	1244.67	60	1544.67	60	1844.67	60	2220.67
80	710.67	80	950.67	80	1250.67	80	1550.67	80	1850.67	80	2228.67
5990	713.67	6800	956.67	7800	1256.67	8800	1556.67	9800	1856.67	10800	2236.67
6000	716.67	6820	962.67	7820	1262.67	8820	1562.67	9820	1862.67	10820	2244.67
10	719.67	40	968.67	40	1268.67	40	1568.67	40	1868.67	40	2252.67
20	722.67	60	974.67	60	1274.67	60	1574.67	60	1874.67	60	2260.67
30	725.67	80	980.67	80	1280.67	80	1580.67	80	1880.67	80	2268.67
6040	728.67	6900	986.67	7900	1286.67	8900	1586.67	9900	1886.67	10900	2276.67
6050	731.67	6920	992.67	7920	1292.67	8920	1592.67	9920	1892.67	10920	2284.67
60	734.67	40	998.67	40	1298.67	40	1598.67	40	1898.67	40	2292.67
70	737.67	60	1004.67	60	1304.67	60	1604.67	60	1904.67	60	2300.67
80	740.67	80	1010.67	80	1310.67	80	1610.67	80	1910.67	80	2308.67
6090	743.67	7000	1016.67	8000	1316.67	9000	1616.67	10000	1916.67	11000	2316.67
6100	746.67	7020	1022.67	8020	1322.67	9020	1622.67	10020	1924.67	11020	2324.67
10	749.67	40	1028.67	40	1328.67	40	1628.67	40	1932.67	40	2332.67
20	752.67	60	1034.67	60	1334.67	60	1634.67	60	1940.67	60	2340.67
30	755.67	80	1040.67	80	1340.67	80	1640.67	80	1948.67	80	2348.67
6140	758.67	7100	1046.67	8100	1346.67	9100	1646.67	10100	1956.67	11100	2356.67
6150	761.67	7120	1052.67	8120	1352.67	9120	1652.67	10120	1964.67	11120	2364.67
60	764.67	40	1058.67	40	1358.67	40	1658.67	40	1972.67	40	2372.67
70	767.67	60	1064.67	60	1364.67	60	1664.67	60	1980.67	60	2380.67
80	770.67	80	1070.67	80	1370.67	80	1670.67	80	1988.67	80	2388.67
6200	776.67	7200	1076.67	8200	1376.67	9200	1676.67	10200	1996.67	11200	2396.67
6220	782.67	7220	1082.67	8220	1382.67	9220	1682.67	10220	2004.67	11220	2404.67
40	788.67	40	1088.67	40	1388.67	40	1688.67	40	2012.67	40	2412.67
60	794.67	60	1094.67	60	1394.67	60	1694.67	60	2020.67	60	2420.67
80	800.67	80	1100.67	80	1400.67	80	1700.67	80	2028.67	80	2428.67
6300	806.67	7300	1106.67	8300	1406.67	9300	1706.67	10300	2036.67	11300	2436.67

* Monthly taxable Salary is arrived at after taking into consideration the deductions permissible u/s. 16(I) [Refer note (2) below], u/s. 16(III) for profession tax paid/deducted and Chapter VIA (viz. section 80D, 80DD, 80GG) of the Income-tax Act.

- Notes:
- (1) For perquisites, benefits and other allowances, please refer example on page 272.
 - (2) Standard deduction u/s. 16(I) @ 33 $\frac{1}{3}$ % of salary subject to a maximum of Rs. 15,000 p.a. [Rs. 18,000 p.a. in the case of a woman employee whose annual total income before making any deduction u/s. 16(I) does not exceed Rs. 75,000] is to be allowed.
 - (3) For rebate (deduction) allowable u/s. 88, in respect of life insurance premia, contribution to Provident Fund, subscription to notified units of Mutual Fund and purchase of National Savings Certificates VIII Issue, etc. etc., refer pp. 205-209.
 - (4) For tax on estimated annual salary income, please refer pp. 292-294.

MAIN FEATURES OF PAYMENT OF ADVANCE TAX**Payable during the financial year ending on 31-3-1995****(assessment year 1995-96):**

The provisions of the Advance tax scheme in respect of advance tax payable, during the financial year ending on 31-3-1989 and subsequent years, are as explained below:

(1) Income subject to advance tax:**[Section 207]**

The advance tax shall be *payable on all the items of income* included in the total income chargeable to tax for the assessment year immediately following the financial year in which the advance tax is payable. This would mean that (a) capital gains, and (b) income referred to in section 2(24)(ix) e.g., winnings from lotteries, crossword puzzles, races including horse races, card games, other games, gambling or betting, will not be excluded from the total income for the purposes of computation of advance tax despite the fact that the said items of income are of non-recurring nature. In short, the whole of the total income chargeable to tax (referred to as the "current income") will be liable to payment of advance tax. Refer examples on page 279.

(2) Conditions of liability to pay advance tax:**[Section 208]**

Under section 208 it is obligatory to pay advance tax during the financial year in every case where the advance tax payable is Rs. 1,500 or more. Thus, if the advance tax payable as computed under section 209 is less than Rs. 1,500, there would be no obligation on the part of any assessee to pay advance tax during the financial year 1994-95 (assessment year 1995-96).

(3) Computation of advance tax:**[Section 209]**

(a) Where the calculation is made by the assessee for the purposes of payment of advance tax under section 210(1) or 210(2) or 210(5) or 210(6), he shall first estimate his current income and then calculate the income-tax thereon at the rates in force in the financial year, i.e., the rates specified in Part III of the First Schedule to the Finance Act, 1994 [Section 209(1)(a)].

(b) Where the calculation is made by the "Assessing Officer" by an order made under section 210(3), the income-tax shall be calculated by him at the rates in force in the financial year:

(i) on the total income assessed as per the latest regular assessment, or

(ii) on the total income returned by the assessee for any subsequent previous year,

whichever is higher [Section 209(1)(b)].

However, where a return is furnished by the assessee under section 139 or in response to notice under section 142(1) or a regular assessment is made in respect of the previous year later than that referred to in (b)(i) & (b)(ii) above, the Assessing Officer may issue an amended order under section 210(4) on the basis of such return or regular assessment. The income-tax will have to be calculated by him on the total income thus returned or assessed, as the case may be, at the rates in force in the relevant financial year [Section 209(1)(c)].

NOTES:

1. The income-tax calculated by the assessee or the Assessing Officer, as the case may be, shall be reduced by the amount of income-tax deductible or collectible at source during the relevant financial year under any provision of the Income-tax Act from any income (as computed before allowing any deductions under the Income-tax Act) which has been taken into account in computing current income. The amount of income-tax so reduced shall be the advance tax payable in that year [Section 209(1)(d)].

2. Net agricultural income, if any, is to be taken into account while computing "advance tax" [Section 209(2)]. In cases where the net agricultural income does not exceed Rs. 600, it is to be ignored [Section 2(8) of the Finance Act, 1994].

3. In the case of Hindu undivided family, where at least one member has taxable income in excess of Rs. 35,000, the computation of "advance tax" is to be made with reference to rates prescribed under Sub-Paragraph II of Paragraph A of Part III of the First Schedule to the Finance Act, 1994 and with reference to tables appearing on pp. 296-297 [Section 209(3)].

**(4) Procedure for the payment of advance tax during the financial year 1988-89
& subsequent years (assessment year 1989-90 and onwards):**

[Section 210]

It is no longer necessary for the assessee to file statement of advance tax or estimate of advance tax. Filing of estimate of advance tax (i.e., intimation in the prescribed Form No. 28A) would be necessary only where the Assessing Officer has issued a demand notice under section 210 and the assessee estimates advance tax payable at a lesser figure [Refer item (b) hereafter].

The procedure for payment of advance tax from the financial year 1988-89 is laid down in section 210. The relevant provisions of this section are as explained hereunder:

(a) Payment of advance tax by the assessee of his own accord:

[Section 210(1) & 210(2)]

Every person who is liable to pay advance tax under section 208 (i.e., in cases where the advance tax payable is Rs. 1,500 or more), *whether or not he has been previously assessed by way of regular assessment*, shall, of his own accord, pay, on or before the due dates specified in section 211(1) [refer item (5) on page 279], the appropriate percentage, of the advance tax on his current income calculated under section 209 as explained in item (3) on page 277 [Section 210(1)].

An assessee who has paid any instalment or instalments of advance tax under section 210(1) as explained above, may increase or reduce the amount of advance tax payable in the remaining instalment or instalments in accordance with his estimate of the current income and make payment of the said amount in the remaining instalment or instalments as specified in section 211(1) [Section 210(2)].

(b) Payment of advance tax in pursuance of an order of the Assessing Officer:

[Section 210(3), 210(4), 210(5) & 210(6)]

In the case of a person who has already been assessed by way of regular assessment in respect of the total income of any previous year and who has not paid any advance tax under section 210(1) [as explained in sub-item (a) above] may be required by the Assessing Officer by issue of an order in writing under section 210(3) at any time during the financial year but not later than the last day of February to pay advance tax calculated under section 209(1)(b). The Assessing Officer will issue notice of demand under section 156 to such assessee in pursuance of the said order specifying the instalment or instalments in which such tax is to be paid [Section 210(3)].

If, after making an order under section 210(3) and at any time before the 1st day of March, a return of income is furnished by the assessee under section 139 or in response to notice under section 142(1) or a regular assessment of the assessee is made in respect of a previous year later than that referred to in section 210(3), the Assessing Officer may issue an amended order under section 210(4) with a notice of demand under section 156 requiring the assessee to pay, on or before the due date or each of the due dates specified in section 211(1) following after the date of the amended order, the appropriate percentage of advance tax computed on the basis of total income declared in such return or in respect of which the regular assessment aforesaid has been made [Section 210(4)].

An assessee who is served with a notice of demand in pursuance of an order of the Assessing Officer under section 210(3) or an amended order under section 210(4) may, if in his estimation the advance tax payable on his current income would be less than the amount of advance tax specified in such order or amended order, send an *intimation in the prescribed Form No. 28A* to the Assessing Officer to that effect and pay such advance tax calculated under section 209 in accordance with his estimate on or before the due date or each of the due dates specified in section 211(1) falling after the date of such intimation [Section 210(5)].

In cases where the advance tax payable in pursuance of an order of the Assessing Officer under section 210(3) or amended order under section 210(4) is estimated by the assessee to exceed the amount of advance tax specified in the said order or amended order or intimated by him under section 210(5), he shall pay on or before the due date of the last instalment specified in section 211(1), the appropriate part or, as the case may be, the whole of such higher amount of advance tax in accordance with his estimate in the manner laid down in section 209 [Section 210(6)].

To summarise, the calculation for the payment of advance tax is to be made by the assessee at the rates in force in the relevant financial year where the payment is to be made under section 210(1) or section 210(2) or section 210(5) or section 210(6), while such calculation is to be made by the Assessing Officer for making an order under section 210(3) or amended order under section 210(4).

(5) Advance tax when payable:

[Section 211]

Advance tax as calculated under section 209 on the current income shall be payable in three/four instalments during each financial year. Under section 211(1), the due date of payment and the amount payable in each instalment during financial year ending on 31-3-1995¹ is indicated in the following table:

(A) IN THE CASE OF COMPANIES¹:

TABLE I

<u>Due date of instalment²</u>	<u>Amount payable</u>
1. On or before the 15th June ..	Not less than 15% of such advance tax.
2. On or before the 15th September ..	Not less than 45% of such advance tax, as reduced by the amount, if any, paid in the earlier instalment.
3. On or before the 15th December ..	Not less than 75% of such advance tax, as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.
4. On or before the 15th March ³ ..	The whole amount of such advance tax as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.

(B) IN THE CASE OF ALL ASSESSEES (OTHER THAN COMPANIES)¹:

TABLE II

<u>Due date of instalment²</u>	<u>Amount payable</u>
1. On or before the 15th September ..	Not less than 30% of such advance tax.
2. On or before the 15th December ..	Not less than 60% of such advance tax, as reduced by the amount, if any, paid in the earlier instalment.
3. On or before the 15th March ³ ..	The whole amount of such advance tax as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.

Where the current income includes capital gains and/or income of the nature referred to in section 2(24)(ix) (i.e., winnings from lotteries, crossword puzzles, races, etc.), the assessee should pay the whole amount of tax payable thereon in the instalment of advance tax falling immediately due after the accrual or arising of the said types of income. In a case where such income arises after 15th March, after the payment of last instalment of advance tax, the whole amount of advance tax payable thereon should be paid on or before 31st March [First proviso to section 234C(1) read with Proviso to section 211(1)].

If notice of demand issued u/s. 156 in pursuance of an order of the Assessing Officer u/s. 210(3) or an amended order u/s. 210(4) is served after any of the due dates specified in the above table, the appropriate part, or, as the case may be, the whole of the amount of advance tax specified in such notice shall be payable on or before those dates falling after the date of service of the notice of demand [Section 211(2)].

Examples:

1. Mr. Joshi estimates his income for the financial year ending 31-3-1995 (asst. year 1995-96) from various sources as under:

1. Business income	Rs. 55,000
2. Property income (let-out)	Rs. 4,000
3. Interest income on deposits with companies	Rs. 1,000
4. Dividend income from M/s. A. & Co. Ltd. (Tax at source Rs. 1,100) gross	Rs. 5,500
	<u>Rs. 65,500</u>

Less: Deduction under Chapter VIA:

Under section 80L: Dividend income Rs. 5,500

Income subject to advance tax (called "current income") .. Rs. 60,000

1. For the due date of payment and the amount payable in each instalment during financial year 1993-94 and earlier years, refer page 256 of I.T.R.R. 1993-94 (55th Year of Publication) which are the same, i.e. 3 instalments, as stated in Table II above.

2. If the last day of payment of any instalments of advance tax is a day on which the receiving bank is closed, the assessee can make the payment on the next immediately following working day, and in such cases, the mandatory interest leviable u/s. 234B/234C would not be charged [Circular No. 676, dt. 14-1-1994, 205 ITR (St.) 330].

3. Any amount paid by way of advance tax on or before 31st day of March shall also be treated as advance tax paid during the financial year ending on that day for all purposes of the Income-tax Act [Proviso to section 211(1)].

Income-tax chargeable on current income of Rs. 60,000 (Refer page 291)	Rs. 5,000
<i>Less:</i> Rebate of (deduction from) income-tax u/s. 88 ⁴ :	
Deduction @ 20% of life insurance premia paid Rs. 4,500	Rs. 900
	<u>Rs. 4,100</u>
<i>Less:</i> Tax deductible @ source on dividend of Rs. 5,500 @ 20% I.T. only	Rs. 1,100
	<u>Rs. 3,000</u>
Advance tax payable during financial year 1994-95 ..	<u><u>Rs. 3,000</u></u>

Mr. Joshi has to pay the advance tax of Rs. 3,000 in three instalments as specified below:

<i>Due date of instalment</i>	<i>Amount of instalment payable</i>
On or before 15-9-1994	Rs. 900 (being 30% of Rs. 3,000)
On or before 15-12-1994	Rs. 900 (being 60% of Rs. 3,000 i.e. Rs. 1,800 less Rs. 900 paid on 15-9-1994)
On or before 15-3-1995	Rs. 1,200 [being whole of Rs. 3,000 less Rs. 1,800 (Rs. 900 paid on 15-9-1994 plus Rs. 900 paid on 15-12-1994)].
Total ..	<u><u>Rs. 3,000</u></u>

2. In the above example (1), after payment of last instalment of advance tax on 15-3-1995, Mr. Joshi sells shares on 16-3-1995. Long-term capital gains on the sale of shares computed under substituted section 48 [Refer item 4 on page 121] is Rs. 20,000. Revised income subject to advance tax (called "current income") for the purpose of payment of advance tax on capital gains⁵ by 31-3-1995 will be as under:

Income subject to advance tax [as worked out in example (1) on page 279]	Rs. 60,000
<i>Add:</i> Long-term capital gains (arose on 16-3-95 ⁶ on sale of shares)	Rs. 20,000
	<u>Rs. 80,000</u>
Revised income subject to advance tax (called "current income") for the purpose of payment of advance tax by 31-3-1995	<u><u>Rs. 80,000</u></u>

Advance tax payable on long-term capital gains Rs. 20,000:

Income-tax @ 20% u/s. 112(1)(a)(ii) read with 2nd proviso to section 2(7) of the Finance Act, 1994:	
20% (flat rate of income-tax) × Rs. 20,000 (long-term capital gain)	Rs. 4,000

Advance tax payable on long-term capital gains by 31-3-1995 ⁶	<u><u>Rs. 4,000</u></u>
--	-------------------------

Notes: (1) Shri Joshi is neither required to file statement of advance tax nor estimate of income.

- (2) The whole amount of tax on capital gains has to be paid in the instalment falling immediately due after the said capital gains arose as explained in example (2) above in order to avoid levy of interest under section 234C. It may be noted that, from assessment year 1992-93 and onwards, the loss under the head "Capital gains" (whether short-term or long-term) cannot be set off against any other head of income in the same previous year [Vide section 71(3)] and for assessment years 1993-94 and 1994-95, the loss from any house property [other than house property whose annual value is taken to be 'nil' u/s. 23(2)(a)(i)] cannot be set off against income under any other head in the same assessment year [Vide old section 71(4)].

(6) Consequences for non-payment of advance tax: [Section 218]

If any assessee does not pay on the date specified in section 211(1), any instalment of advance tax that he is required to pay by an order of the Assessing Officer under section 210(3) or section 210(4) and does not send to the Assessing Officer an intimation u/s. 210(5) or does not pay the advance tax on the basis of his estimate under section 210(6), he shall be deemed to be an assessee in default in respect of such instalment or instalments. Where an assessee is deemed to be in default, penalty u/s. 221 is leviable for the unpaid instalment or instalments. For other defaults in payment of advance tax, penal interest under section 234B and/or 234C is leviable. No penalty is leviable for such defaults u/s. 273 in relation to assessment year 1989-90 and subsequent years [Vide section 273(3)].

4. For rebate of (deduction from) income-tax u/s. 88, refer pp. 205-209.

5. Capital gains as well as income referred to in section 2(24)(ix) is to be included in the current income [Vide section 207].

6. As the long-term capital gains arose on 16-3-1995 (i.e., after last instalment of advance tax due on or before 15-3-1995), the whole of the amount of advance tax payable Rs. 4,000 in respect of capital gains is to be paid by 31-3-1995 [Vide 1st proviso to section 234C(1) read with Proviso to section 211(1)].

If the said capital gains arose say on 21-12-1994 (i.e., after expiry of 2nd instalment of advance tax due on or before 15-12-1994), the whole of the amount of tax payable amounting to Rs. 4,000 in respect of the said capital gains is to be paid as part of the instalment of advance tax which is immediately due i.e., on or before 15-3-1995. On or before 15-3-1995, Mr. Joshi has to pay a sum of Rs. 5,200 [i.e. Rs. 1,200 as worked out in example (1) plus Rs. 4,000 being tax on the said capital gains (as worked out above)] as instalment of advance tax.

Accordingly, if the said capital gains arose say on 21-9-1994 (i.e., after expiry of 1st instalment of advance tax due on or before 15-9-1994), the whole amount of tax payable amounting to Rs. 4,000 in respect of the said capital gains plus Rs. 900 is to be paid as part of the instalment of advance tax on or before 15-12-1994.

(7) Interest, chargeable for defaults in, and receivable for, payment of advance tax:
[Sections 234B, 234C & 244A]

The provisions relating to the levy of interest under sections 215, 216 & 217 for defaults in the payment of advance tax or failure to furnish statutory estimates of advance tax or for filing false estimates of advance tax are explained with examples vide item (A) on pp. 301-304 of the Income-tax Ready Reckoner 1988-89 (Golden Jubilee Year Publication). Those provisions are applicable to assessments for the assessment year 1988-89 and earlier years but will not apply to defaults in relation to the assessment year 1989-90 and any subsequent years [Refer sub-section (3) to section 214]. However, interest for such defaults is chargeable u/s. 234B & 234C as stated hereafter.

(i) Interest chargeable for defaults in payment of advance tax:
[Section 234B]

With effect from 1-4-1989 (assessment year 1989-90 and onwards), where the assessee fails to pay advance tax which he is liable to pay u/s. 208 or, where the advance tax paid under the provisions of section 210 is less than 90% of the assessed tax, he shall be liable to pay simple interest at the rate of 2% for every month or part of a month comprised in the period from 1st April next following the financial year in which the advance tax was payable (i.e., 1st April of the relevant assessment year) to the date of determination of total income u/s. 143(1) or regular assessment. The interest shall be chargeable on the entire amount of the assessed tax for failure to pay advance tax or, as the case may be, on the difference between the assessed tax and the advance tax paid u/s. 210.

For the purposes of this section, "assessed tax" [as defined under the Explanation 1 to section 234B(1)] means:

(a) for the purposes of computing the interest payable under section 140A, the tax on the total income as declared in the return,

(b) in any other case, the tax on the total income determined u/s. 143(1) or section 143(3), as reduced by the amount of tax collected or deducted at source on any income which is subject to such collection or deduction and which is taken into account in computing such total income.

Where an assessee has paid tax as self-assessment u/s. 140A or otherwise before the date of determination of total income u/s. 143(1) or completion of the regular assessment, the interest shall be calculated at the prescribed rate on the liable amount in two stages; first, from 1st April of the relevant assessment year to the date of payment of such tax and thereafter on the liable amount as reduced by such payment upto the date of regular assessment. Where the interest has been paid by the assessee along with self-assessment tax u/s. 140A, such interest shall be reduced from the interest chargeable upto the date of such payment [Section 234B(2)].

- Notes:
- (1) Where an assessment is made for the first time under section 147, the assessment so made shall be regarded as regular assessment for the purposes of section 234B [Explanation 2 to section 234B(1)].
 - (2) The "tax on the total income determined under section 143(1)" shall not include additional income-tax, if any, payable under section 143(1A), for levying the interest under section 234B [Explanation 3 to section 234B(1)].
 - (3) Where, as a result of re-assessment or re-computation under section 147 or as result of any rectification under section 154 or as a result of any appeal or revision or order of the Settlement Commission under section 245D(4), the amount on which interest was payable has been increased or decreased, as the case may be, the interest shall be increased or decreased accordingly. Where the interest is increased, the Assessing Officer shall serve on the assessee a notice of demand in the prescribed form specifying the sum payable. In a case where the interest is reduced, the excess interest paid, if any, shall be refunded [Sub-sections (3) & (4) of section 234B].
 - (4) Interest is payable for every month or part of a month which means that fraction of a month will not be ignored and interest at the rate of 2% will be charged even for part of a month. Further, the rate of interest payable by an assessee has been fixed at 24% p.a. (i.e., 2% per month or a part thereof) [Section 234B(1)].
 - (5) The interest leviable under sections 234B and 234C [discussed in sub-items (i) & (ii) of item (7)] is mandatory and there is no provision in the Act for reduction or waiver of this interest.
 - (6) For assessment year 1992-93, in the case of an assessee being a domestic company, penal interest u/s. 234B and 234C, if payable on account of shortfall in payment of advance tax only on account of provision of section 34A [Refer item (xvii) on page 101], such interest will not be levied, provided such shortfall is paid before the filing of return of income u/s. 139(1) for assessment year 1992-93.

Examples:

- (1) Shri Joshi files the return of income for the assesment year 1994-95 on 30-6-1994 (due date for filing return is 30-6-1994) declaring income of Rs. 62,500. Tax deducted at source is Rs. 350 and advance tax paid is Rs. 6,000. The interest payable for default in payment of advance tax u/s. 234B alongwith the self-assessment tax payable u/s. 140A is as under:

Income-tax on Rs. 62,500 [being total (taxable) income declared in return] (Refer page 212) ..	Rs. 7,750
Less: Tax deducted at source	Rs. 350
Assessed tax	Rs. 7,400
Less: Advance tax paid	Rs. 6,000
Short-fall in payment of advance tax ..	Rs. 1,400
90% of the assessed tax of Rs. 7,400 ..	Rs. 6,660

As the advance tax paid (Rs. 6,000) is less than 90% of the assessed tax (i.e. Rs. 6,660), Shri Joshi is liable to pay interest u/s. 234B on the short-fall of Rs. 1,400 along with the self-assessment tax u/s. 140A as under:

Self-assessment tax	Rs. 1,400
Add: Interest from 1-4-1994 to 30-6-1994 (2 months and 29 days i.e. part of a month) @ 2% p.m. on short-fall of Rs. 1,400 i.e. 3 months × interest @ 2% p.m. on Rs. 1,400 (short-fall)	Rs. 84
Self-assessment tax and interest payable on or before 30-6-1994	Rs. 1,484

Note: The return shall be accompanied by proof of payment of self-assessment tax and interest [Section 140A(1)].

- (2) Shri Mehra's assessed income for the assesment year 1994-95 on regular assessment completed say on 12-1-1995 is Rs. 64,500. Tax deducted at source is Rs. 350 and advance tax paid is Rs. 6,000. On the basis of returned income of Rs. 57,830 filed by due date, neither self-assessment tax nor interest u/s. 234A or 234B or 234C was payable.

Income-tax on Rs. 64,500 assessed income (Refer page 213)	Rs. 8,350
Less: Tax deducted at source	Rs. 350
Assessed tax	Rs. 8,000
Less: Advance tax paid	Rs. 6,000
Short-fall in payment of advance tax ..	Rs. 2,000
90% of the assessed tax of Rs. 8,000 ..	Rs. 7,200

As the advance tax paid (Rs. 6,000) is less than 90% of the assessed tax (i.e. Rs. 7,200), Shri Mehra will be liable to pay interest u/s. 234B from 1-4-1994 to the date of regular assessment i.e. 12-1-1995 on the short-fall of Rs. 2,000 as under:

(i) Interest from 1-4-1994 to 31-12-1994 (9 completed months) @ 2% per month on Rs. 2,000 short-fall i.e. 9 months × interest @ 2% p.m. × Rs. 2,000 (short-fall)	Rs. 360
(ii) Interest from 1-1-1995 to 12-1-1995 (12 days i.e. part of a month) @ 2% per month on Rs. 2,000 short-fall i.e. 1 month × interest @ 2% p.m. × Rs. 2,000 (short-fall)	Rs. 40
Interest payable by Shri Mehra on short-fall in payment of advance tax ..	Rs. 400

(ii) Interest payable for deferment of advance tax^{7a}:

[Section 234C^{7a}]

As already explained in item (5) on page 279, the advance tax is payable in three instalments at the prescribed percentage in respect of each instalment. In the first instalment at 30%⁸ of the advance tax on current income is payable on or before the 15th September^{8a} of the relevant financial year. Likewise, in the second instalment at 60%⁹ of the advance tax due as reduced by the amount, if any, paid in the earlier instalment is payable on or before the 15th December^{8a} of the relevant financial year.

7a. For the notes on interest payable for deferment of advance tax u/s. 234C, in the case of companies, in relation to assessment year 1995-96 and subsequent years, refer Para 14.2(B) on page 41. For the notes on interest payable for deferment of advance tax u/s. 234C in respect of instalment due on or before 15th March, in the case of all assesseees including companies, in relation to assessment year 1995-96 and subsequent years, refer Para 14.2(A) on page 41.

8. Upto financial year ending 31-3-1992 (assessment year 1992-93), for figure '30%' read '20%'.

8a. Refer footnote No. 2 on page 279.

9. Upto financial year ending 31-3-1992 (assessment year 1992-93), for figure '60%' read '50%'.

Under section 234C, where the assessee who is liable to pay advance tax u/s. 208 has failed to pay such tax or the advance tax paid by the assessee on his current income on or before 15th September or on or before 15th December is less than 30%^{9a} or 60%^{9b} respectively of the "tax due on the returned income", then the assessee shall be liable to pay simple interest (which is mandatory) at the rate of 1½% per month of the short-fall for a period of three months on the amount of short-fall from 30%^{9a} or, as the case may be, 60%^{9b} of the "tax due on the returned income".

It has been clarified that the "tax due on the returned income" means the tax chargeable on the total income declared in the return of income for the relevant assessment year as reduced by the amount of tax deductible or collectible at source on any income which is subject to such deduction or collection and which is taken into account in computing such income [Explanation to section 234C(1)].

However, if the total income includes any capital gains and/or income of the nature referred to in section 2(24)(ix) (i.e. winnings from lotteries, crossword puzzles, races, etc.), interest on short-fall in payment of advance tax (arising on account of under-estimate or failure to estimate such income) under this section will not be levied, provided the whole of the amount of tax on such income is paid in the instalment of advance tax that falls immediately due after such income arose or accrued. Refer example (2) on page 280 [1st proviso to section 234C(1)].

Illustration: Suppose the "tax due on the returned income" for the assessment year 1994-95 is Rs. 15,000 (i.e. tax on returned income less tax deducted or collected at source). Advance tax paid is Rs. 14,000 (Rs. 2,500 on 15-9-1993, Rs. 4,000 on 15-12-1993 and Rs. 7,500 on 15-3-1994).

Due date of instalment	Instalment payable	Instalment paid	Short-fall in payment of instalment	Interest payable on short-fall for a period of 3 months	Amount of interest payable
On or before 15th September ..	Rs. 4,500 ¹⁰	Rs. 2,500	Rs. 2,000	1½% p.m. on Rs. 2,000 × 3 months (i.e. 15-9-93 to 15-12-93)	Rs. 90
On or before 15th December ..	Rs. 6,500 ¹¹	Rs. 4,000	Rs. 2,500	1½% p.m. on Rs. 2,500 × 3 months (i.e. 15-12-93 to 15-3-94)	Rs. 113
Total interest payable under section 234C					Rs. 203

(iii) Interest on refunds:

[Section 244A]

Where refund is on account of excess payment of advance tax or tax collected at source or tax deducted at source, the period for which such interest is to be allowed will commence from 1st April of the relevant assessment year to the date on which the refund is granted (i.e., the date on which the refund order is issued). The delay, if any, in granting refund, if attributable to the assessee, then such period will be reduced from this period. The rate of interest is 1½% upto 30-9-1991 and thereafter 1% for every month or part of a month. No interest will, however, be payable if amount of refund is less than 10% of tax as determined under section 143(1) or on regular assessment. For further details, refer item 2 and examples on page 168.

9a. Upto financial year ending 31-3-1992 (assessment year 1992-93), for figure '30%' read '20%'.

9b. Upto financial year ending 31-3-1992 (assessment year 1992-93), for figure '60%' read '50%'.

10. Being 30% of Rs. 15,000 "tax due on returned income".

11. Being 60% of Rs. 15,000 "tax due on returned income" is Rs. 9,000 less Rs. 2,500 paid on 15th September, as first instalment.

EXAMPLES

for
Individuals & Hindu undivided families (in cases where none of its members have taxable income exceeding the maximum amount not chargeable to tax¹), association of persons, non-residents, etc., etc.

with
Income comprising net agricultural income and non-agricultural income
FOR

ASSESSMENT YEARS 1994-95 & 1995-96

- Note: (i) In cases where the assessee is a Hindu undivided family and none of the members has taxable income exceeding the maximum amount not chargeable to tax¹, the method of computing the tax is the same as stated hereunder. However, if at least one individual member of such Hindu undivided family has taxable income exceeding the maximum amount not chargeable to tax¹, please refer the relevant tables given on pp. 216-217 for the assessment year 1994-95 and on pp. 296-297 for the assessment year 1995-96.
- (ii) To work out the correct tax liability for the purpose of "advance tax" and "tax to be deducted from the annual estimated salary of an employee" for the financial year ending on 31-3-1995, please refer tables A to C on pp. 290-295.

ASSESSMENT YEAR 1994-95:

- (1) The gross total income of an individual² for asst. year 1994-95 is Rs. 41,000 which includes income in respect of units of U.T.I. amounting to Rs. 2,500. He pays life insurance premia of Rs. 1,100.

Gross total income	Rs. 41,000
Less: Deduction under Chapter VIA:	
Income in respect of units: under section 80L	Rs. 2,500
Taxable income	Rs. 38,500
Income-tax chargeable on taxable income of Rs. 38,500 for the assessment year 1994-95 (Refer page 211)	Rs. 1,700
Less: Rebate of (deduction from) income-tax u/s. 88 ³ :	
Life insurance premia paid Rs. 1,100.	
Deduction @ 20% of Rs. 1,100 from the amount of income-tax chargeable	Rs. 220
Income-tax payable on taxable income of Rs. 38,500 for the assessment year 1994-95	Rs. 1,480

- (2) The gross total income of an individual² for asst. year 1994-95 is Rs. 55,000 which includes interest from banks on deposits amounting to Rs. 11,000. He subscribes Rs. 3,500 to Public Provident Fund.

Gross total income	Rs. 55,000
Less: Deduction under Chapter VIA:	
Interest from banks on deposits	Rs. 11,000
Maximum deduction u/s. 80L(1)	Rs. 10,000
Taxable income	Rs. 45,000
Income-tax chargeable on taxable income of Rs. 45,000 for the assessment year 1994-95 (Refer page 211)	Rs. 3,000
Less: Rebate of (deduction from) income-tax u/s 88 ³ :	
Subscription to Public Provident Fund A/c. Rs. 3,500.	
Deduction @ 20% of Rs. 3,500 from the amount of income-tax chargeable	Rs. 700
Income-tax payable on taxable income of Rs. 45,000 for the assessment year 1994-95	Rs. 2,300

ASSESSMENT YEAR 1994-95:

- (3) The gross total income of a Hindu undivided family [where none of the members of the family has taxable income exceeding Rs. 30,000 (assessment year 1994-95)] consists of the following sources:

(a) Business income	Rs. 61,000
(b) Long-term capital gains in respect of capital assets:	
Sale proceeds [received on 10-12-1993]	Rs. 33,520
Less: Cost of acquisition [acquired on 10-1-1982]	Rs. 8,000
Indexed cost of acquisition [Vide 2nd proviso to section 48]:	
Rs. 8,000 (cost of acquisition) × 244 ⁴ (Cost Inflation Index of the financial year of sale i.e., 1993-94) ÷ 100 ⁴ (Cost Inflation Index of the financial year of acquisition i.e., 1981-82) = Rs. 19,520	Rs. 19,520
Carried forward	Rs. 14,000
	Rs. 75,000

1. The maximum amount not chargeable to tax is Rs. 30,000 for the assessment year 1994-95 and Rs. 35,000 for the assessment year 1995-96.

2. Long-term capital gains arisen during the year is Rs. Nil.

3. Rebate of (deduction from) income-tax under section 88(1) is 20% of the aggregate amount of specified savings (refer pp. 205-209) viz. Life insurance premia, NSC VIII Issue, Provident Fund, etc. For further details and examples, refer pp. 205-209.

4. For notification on Cost Inflation Index, refer page 122.

ASSESSMENT YEAR 1994-95:

	Brought forward ..	Rs.	75,000
(c) Interest from banks on deposits		Rs.	2,000
Gross total income inclusive of long-term capital gains		Rs.	77,000
Less: Long-term capital gains		Rs.	14,000
Gross total income as reduced by long-term capital gains		Rs.	63,000
Less: Deduction under Chapter VI A:			
Deduction u/s. 80L: Interest from banks on deposits		Rs.	2,000
Taxable income as reduced by long-term capital gains (A)		Rs.	61,000
Add: Long-term capital gains (B)		Rs.	14,000
Taxable income inclusive of long-term capital gains (C)		Rs.	75,000
Income-tax chargeable on Rs. 61,000 taxable income [as reduced by long-term capital gains as per (A)] (Refer page 212)	Rs.	7,300	
Less: Rebate of (deduction from) income-tax u/s. 88 ³ : Life insurance premia paid Rs. 12,000. Deduction @ 20% of Rs. 12,000 from the amount of income-tax chargeable	Rs.	2,400	
Income-tax payable on Rs. 61,000 taxable income [Refer (A)]	Rs.	4,900	Rs. 4,900
Add: Income-tax @ 20% on long-term capital gains of Rs. 14,000 u/s. 112(1)(a)(ii) ⁶ [Refer (B)]		Rs.	2,800
Income-tax payable on taxable income of Rs. 75,000 [Refer (C)]		Rs.	7,700

ASSESSMENT YEAR 1994-95:

Agricultural & non-agricultural income

(4) An individual's gross non-agricultural income & gross agricultural income is as under:

(a) Gross non-agricultural income [other than long-term capital gain]	Rs.	45,000	
Less: Deduction u/s. 80L for interest from banks	Rs.	5,000	
Non-agricultural income	Rs.	40,000	Rs. 40,000
(b) Gross agricultural income	Rs.	20,000	
Less: Expenditure incurred wholly & exclusively for the purposes of carrying on agricultural operations and tax levied by State Govt. on such income	Rs.	8,000	
Net-agricultural income	Rs.	12,000	Rs. 12,000
Aggregated income		Rs.	52,000
Income-tax on aggregated income of Rs. 52,000 as if it is the total income (Refer page 212)		Rs.	4,600
Less: Net-agricultural income	Rs.	12,000	
Add: Rs. 30,000 as per section 2(2) of the Finance Act, 1994	Rs.	30,000	
	Rs.	42,000	
Income-tax on Rs. 42,000 (Refer page 211)	Rs.	2,400	
Income-tax on non-agricultural income for assessment years 1994-95	Rs.	2,200	

Note: In cases where the non-agricultural taxable income is (1) Rs. 30,000 or less for the asst. year 1994-95 & (2) Rs. 35,000 or less for the asst. year 1995-96; and net agricultural income of any amount, there will be no liability to pay income-tax for the asst. years 1994-95 and 1995-96, respectively. Further, in cases where the net agricultural income does not exceed Rs. 600, it shall be ignored for the purpose of computing the tax.

5. Refer footnote No. 3 on page 284.

6. From assessment year 1993-94 and onwards, under substituted section 48, basic deduction and further deduction on % basis is not allowable as the said deductions are not incorporated in the substituted section. However, long-term capital gains will be computed by deducting from the full value of consideration, the expenditure incurred in connection with the transfer, the 'indexed cost of acquisition' and 'indexed cost of improvement' as worked out in the example. Long-term capital gains will be taxed u/s. 112 [For further details, refer item 4 on page 121 & item 7 on page 134].

ASSESSMENT YEAR 1994-95:

- (5) The taxable income (other than winnings from lotteries & long-term capital gains) of an individual for the assessment year 1994-95 is Rs. 32,000 and winnings from lotteries is Rs. 20,000.

Taxable income (other than winnings from lotteries & long-term capital gains)	..	Rs.	32,000
Add: Winnings from lotteries	.. .. .	Rs.	20,000
Less: Exclusion under section 10(3)	.. .. .	Rs.	5,000
Total (taxable) income	..	Rs.	47,000

Computation of tax on:

(a) Winnings from lotteries: @ flat rate of 44.8% ⁷ on Rs. 15,000 (Rs. 20,000 less Rs. 5,000)	.. .. .	Rs.	6,720
(b) Reduced total (taxable) income Rs. 32,000 (Rs. 47,000 less Rs. 15,000): Income-tax on Rs. 32,000 (Refer page 211)	.. .. .	Rs.	400
Aggregate tax	.. .. .	Rs.	7,120

ASSESSMENT YEAR 1994-95:

- (6) The gross total income of an individual, for assessment year 1994-95, consists of the following sources of income:

(a) Business income	.. .. .	Rs.	43,000
(b) Long-term capital gains in respect of capital assets: Sale proceeds [received on 2-1-1994]	.. .. .	Rs.	46,520
Less: Cost of acquisition [acquired on 10-1-1985]	.. .. .	Rs.	10,000

Indexed cost of acquisition [Vide 2nd proviso to section 48]:

Rs. 10,000 (cost of acquisition) \times 244⁸ (Cost Inflation Index of the financial year of sale i.e., 1993-94) \div 125⁸ (Cost Inflation Index of the financial year of acquisition i.e., 1984-85) = Rs. 19,520

Gross total income inclusive of long-term capital gains	.. .. .	Rs.	19,520
Less: Long-term capital gains	.. .. .	Rs.	27,000
Gross total income as reduced by long-term capital gains	.. .. .	Rs.	27,000
Less: Deduction under Chapter VI A: Donations to approved charities Rs. 3,000. Deduction u/s. 80G: @ 50% of approved charities Rs. 3,000.	.. .. .	Rs.	1,500
Taxable income as reduced by long-term capital gains	.. .. .	(A)	Rs. 41,500
Add: Long-term capital gains	.. .. .	(B)	Rs. 27,000
Taxable income inclusive of long-term capital gains	.. .. .	(C)	Rs. 68,500

Income-tax chargeable on Rs. 41,500 taxable income as reduced by long-term capital gains as per (A) [Refer page 211]

.. .. .	Rs.	2,300
---------	-----	-------

Less: Rebate of (deduction from) income-tax u/s. 88⁹:

Deposits in 10-year Post Office C.T.D. A/c. Rs. 2,400.

Deduction @ 20% of Rs. 2,400 from the amount of income-tax chargeable .. Rs. 480

Income-tax payable on Rs. 41,500 taxable income [Refer (A)] .. Rs. 1,820

Add: Income-tax @ 20% on long-term capital gains Rs. 27,000

u/s. 112(1)(a)(ii) ¹⁰[Refer. (B)] .. Rs. 5,400

Income-tax payable on taxable income of Rs. 68,500 [Refer (C)] .. Rs. 7,220

7. Flat rate of income-tax @ 40% [under section 115BBB] + 4.8% [being surcharge at 12% on such income-tax as per clause (b)(i) of the 2nd proviso to section 2(3) of the Finance Act, 1994].

8. For Notification on Cost Inflation Index, refer page 122.

9. Refer footnote No. 3 on page 284.

10. Refer footnote No. 6 on page 285.

ASSESSMENT YEAR 1994-95:

- (7) Mr. A's annual salary, dearness allowance, taxable perquisites and other taxable benefits from the employer for the financial year ending on 31-3-1994 is Rs. 59,600. He owns a motor car which is used for the purposes of his employment. He has paid life insurance premia of Rs. 2,800 and his contribution to Provident fund is Rs. 3,200.

Annual salary	Rs.	59,600
Less: (a) Standard deduction under section 16(i): @ 33½% of Rs. 59,600 salary	Rs. 19,867	
Maximum deduction restricted to.	Rs. 15,000 ¹¹	
(b) Deduction under section 16(iii) for profession tax: Profession tax deducted, say @ Rs. 50 p.m. × 12 months..	Rs. 600	Rs. 15,600
Taxable income		Rs. 44,000
Income-tax chargeable on taxable income of Rs. 44,000 (Refer page 211)		Rs. 2,800
Less: Rebate of (deduction from) income-tax u/s. 88 ¹² : Life insurance premia & contribution to provident fund Rs. 6,000.		
Deduction @ 20% of Rs. 6,000 from the amount of income-tax chargeable		Rs. 1,200
Income-tax payable		Rs. 1,600

Assuming that the tax deducted at source is Rs. 1,540, the employee is required to pay self-assessment tax in an amount of Rs. 60 before the submission of return of income for the assessment year 1994-95.

ASSESSMENT YEAR

	1994-95	1995-96
(8) The gross total income of an individual consists of the following sources of income:		
1. Business income	Rs. 55,000	Rs. 56,000
2. Capital gains:		
(a) Short-term [arose on 14th March, 1994/1995]	Rs. 10,000	Rs. 10,000
(b) Long-term in respect of capital assets [arose on 14th March, 1994/1995] [computed in the manner explained in Example No. (6) on page 286], say.	Rs. 20,000 ¹³	Rs. 60,000 ¹³
3. Dividend income Rs. 10,000, income in respect of units of U.T.I. Rs. 5,000, interest on Govt. securities Rs. 5,000 & interest on deposits with banks Rs. 8,000 ..	Rs. 28,000	Rs. 28,000
4. Interest on deposits with companies	Rs. 20,000	Rs. 20,000
5. Property income	Rs. 20,000	Rs. 23,000
Gross total income inclusive of long-term capital gains	(A) Rs. 1,53,000	Rs. 1,97,000
Less: Long-term (and not short-term) capital gains [Refer 2(b)]	(B) Rs. 20,000	Rs. 60,000
Gross total income as reduced by long-term capital gains	(C) Rs. 1,33,000	Rs. 1,37,000

He makes the following payments which entitles him to claim deductions/rebate under Chapter VI-A/VIII-A of the Income-tax Act:

1. Medical insurance premia referred to in section 80D on health of his wife	Rs. 5,000	Rs. 5,000
2. Donations to approved charities	Rs. 15,000	Rs. 15,000
3. (a) Life insurance premia paid	Rs. 13,000	
(b) Subscription to Public Provident Fund	Rs. 20,000	
(c) Deposited in National Savings Scheme, 1992	Rs. 20,000	
(d) Invested in units of Equity Linked Savings Scheme of Mutual Funds	Rs. 10,000	Rs. 63,000
		Rs. 63,000

11. For assessment year 1994-95 and onwards, the maximum deduction is to be restricted to Rs. 15,000.

12. Refer footnote No. 3 on page 284.

13. Refer footnote No. 6 on page 285.

ASSESSMENT YEAR

1994-95

1995-96

COMPUTATION OF TAXABLE INCOME:

Gross total income as reduced by long-term capital gains [Refer (C) on page 287]	Rs. 1,33,000	Rs. 1,37,000
Less: Deductions under Chapter VIA:		
ASSESSMENT YEARS 1994-95 & 1995-96:		
(1) Medical insurance premia paid Rs. 5,000:		
Deduction u/s. 80D: As the premia does not exceed Rs. 6,000, 100% of premia paid Rs. 5,000	Rs. 5,000	
(2) Dividend income, income in respect of units of U.T.I., interest on Govt. Sec. & deposits with banks	Rs. 28,000	
Deduction u/s. 80L:		
Maximum deduction u/s. 80L(1) restricted to	Rs. 10,000	Rs. 15,000
Base for deduction u/s. 80G		Rs. 1,18,000
(3) Donations to approved charities Rs. 15,000:		
Deduction u/s. 80G: Donations should not exceed 10% of the gross total income as reduced by deductions permissible under Chapter VIA and also long-term capital gains:		
Donations made	Rs. 15,000	
Donation is to be restricted to:		
(a) Assessment year 1994-95:		
Rs. 11,800 being 10% of Rs. 1,18,000.		
Donations qualifying for deduction	Rs. 11,800	
50% of the qualifying amount of Rs. 11,800		Rs. 5,900
(b) Assessment year 1995-96:		
Rs. 12,200 being 10% of Rs. 1,22,000.		
Donations qualifying for deduction	Rs. 12,200	
50% of the qualifying amount of Rs. 12,200		Rs. 6,100
Taxable income as reduced by long-term capital gains	(D) Rs. 1,12,100	Rs. 1,15,900
Add: Long-term capital gains [Refer (B) on page 287]	(E) Rs. 20,000	Rs. 60,000
Taxable income inclusive of long-term capital gains	(F) Rs. 1,32,100	Rs. 1,75,900

TAX COMPUTATION:

Income-tax (and not S.C. on I.T.) chargeable on taxable income of Rs. 1,12,100 as per (D) for assessment year 1994-95 (Refer page 214)	Rs. 23,840	
Income-tax chargeable on taxable income of Rs. 1,15,900 as per (D) for assessment year 1995-96 (Refer pp. 292-293)		Rs. 21,770
Less: Rebate of (deduction from) income-tax (only) u/s. 88 ¹⁴ :		
In respect of life insurance premia, etc. (Refer 3 on page 287) Rs. 63,000:		
Deduction @ 20% of Rs. 63,000 u/s. 88(1) Rs. 12,600.		
Deduction is to be restricted to Rs. 12,000 u/s. 88(6)(ii)	Rs. 12,000	Rs. 12,000
Income-tax on taxable income as reduced by long-term capital gains [Refer (D)]	Rs. 11,840	Rs. 9,770
Add: Income-tax @ 20% on long-term capital gains u/s. 112(1)(a)(ii) ¹⁵ :		
Income-tax @ 20% on Rs. 20,000 [Refer (E)]	Rs. 4,000	
Income-tax @ 20% on Rs. 60,000 [Refer (E)]		Rs. 12,000
Income-tax payable on taxable income [Refer (F)]	Rs. 15,840	Rs. 21,770
Add: Surcharge @ 12% on income-tax Rs. 15,840 as taxable income exceeds Rs. 1,00,000 [Refer (F)] (Surcharge on income-tax is not payable for assessment year 1995-96)		
TAX/ADVANCE TAX PAYABLE ON TAXABLE INCOME [Refer (F)].	Rs. 1,901	Rs. NIL
	Rs. 17,741	Rs. 21,770

14. Refer footnote No. 3 on page 284.

15. Refer footnote No. 6 on page 285.

ASSESSMENT YEAR 1994-95:

In the above example, if self-assessment tax is payable for the assessment year 1994-95, then the self-assessment tax shall also include interest payable u/s. 234A, 234B & 234C as explained hereunder:

1. Due date for furnishing the return of income is, say	31-8-1994
2. Return of income is filed say on	12-10-1994
3. Delay in filing the return from 1-9-1994 to 11-10-1994 is	1 month & 11 days
4. Tax on total income declared in return [as computed on page 288]	Rs. 17,741
5. Advance tax paid on, 15-9-93 Rs. 3,000, 15-12-93 Rs. 4,000 and 15-3-94 Rs. 7,000.	Rs. 14,000
6. Assessed tax i.e. Rs. 17,741 [being the tax on total income declared (refer 4)] less Rs. 1,741 [being tax deducted @ source from dividend income and interest on deposits with Cos.]	Rs. 16,000
7. 90% of the assessed tax Rs. 16,000 [refer 6]	Rs. 14,400

As the advance tax paid and tax deducted @ source is less than tax as worked out above, self-assessment tax is payable. Further, since there is delay in furnishing of return and default in payment of advance tax, interest u/s. 234A & 234B is also payable alongwith self-assessment tax as under:

(a) Self-assessment tax u/s. 140A:

Tax on total income declared in return (refer 4)	Rs. 17,741
Less: Tax deducted @ source Rs. 1,741 plus advance tax paid Rs. 14,000 (refer 5).	Rs. 15,741
	Rs. 2,000

(b) Interest u/s. 234A: for delay in filing return (refer 3) of 1 month & 11 days-
Interest @ 2% p.m. for 2 months [1 month + 11 days (part of a month to be considered as a month)] on Rs. 2,000 [as worked out in (a)] i.e., $2\% \times 2$ months on Rs. 2,000 ..

Rs. 80

(c) Interest u/s. 234B: As advance tax paid Rs. 14,000 (refer 5) is less than 90% of the assessed tax Rs. 16,000 (refer 6), interest payable u/s. 234B is:

Interest @ 2% p.m. for 7 months i.e. from 1-4-1994 to 11-10-1994 [6 months + 11 days (part of a month to be considered as a month)] on Rs. 2,000 [Rs. 16,000 assessed tax (refer 6) less Rs. 14,000 advance tax paid (refer 5)] i.e., $2\% \times 7$ months on Rs. 2,000.	Rs. 280
---	---------

Self-assessment tax and interest payable u/s. 234A & 234B Rs. 2,360

Note: Interest is not payable u/s. 234C as the advance tax paid on 15-9-93 Rs. 3,000 is not less than 30% of Rs. 7,040¹⁶ and upto 15-12-93 Rs. 7,000 (Rs. 4,000 + Rs. 3,000) is not less than 60% of Rs. 7,040¹⁶ tax due on returned income.

16. 'Tax due on returned income' is to be computed as under:-

Taxable income [refer (F) on page 288]	Rs. 1,32,100
Less: Short-term capital gains Rs. 10,000 and long-term capital gains Rs. 20,000 arose on 14th March, 1994 i.e., after expiry of 1st and 2nd instalment [Refer (2) on page 287]	Rs. 30,000
Taxable income for the purposes of section 234C	Rs. 1,02,100
Income-tax on Rs. 1,02,100 (refer page 214)	Rs. 19,840
Less: Rebate of (deduction from) income-tax u/s. 88 as worked out on page 288	Rs. 12,000
Income-tax on returned income for the purposes of sec. 234C	Rs. 7,840
Add: Surcharge @ 12% of income-tax Rs. 7,840	Rs. 941
Income-tax & S.C. on I.T.	Rs. 8,781
Less: Tax deducted at source	Rs. 1,741
Tax due on returned income for the purposes of sec. 234C	Rs. 7,040

TABLE A
INCOME-TAX**
FOR INDIVIDUALS ONLY*

WHERE THE TAXABLE INCOME IS BETWEEN:

Rs. 35,000 & Rs. 60,000

ASSESSMENT YEAR

1995-96

Accounting period: Financial year ending 31-3-1995.

The table given hereunder may be referred for the purposes of:

- (1) "ADVANCE TAX" payable during the financial year ending on 31-3-1995, and
- (2) Deduction of income-tax from "SALARIES" during the financial year ending on 31-3-1995.

SLAB RATE: INCOME-TAX @ 20%

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.
10	2	20	4	30	6	40	8	50	10	60	12	70	14	80	16
20	4	30	6	40	8	50	10	60	12	70	14	80	16	90	18

****IMPORTANT**

Income-tax is to be arrived at with reference to table given, on the taxable income, that is gross total income as reduced by deductions under Chapter VIA [Refer pp. 186-204]. From the income-tax so arrived at, the following rebates of (deduction from) income-tax is to be allowed u/s. 88 and 88B to arrive at the income-tax payable:

(a) in respect of aggregate sums invested or deposited in specified savings, referred to in section 88 [Refer pp. 205-209].

(1) @20% of such savings, in the case of an individual [other than (2) below],

(2) @25% of such savings, in the case of an individual, whose total income, derived from the exercise of his profession as an author, playwright, artist, musician, actor or sportsman (including an athlete), is 25% or more of his total income [Proviso to section 88(1)].

(b) @40% of the tax payable by resident individual who is of the age of 65 years or more at any time during the previous year and whose gross total income does not exceed Rs. 1,00,000. 'Gross total income' means total income determined under the Act, before making any deduction under Chapter VIA of the Act [Section 88B].

NOTES:

1. The rebate under section 88 from income-tax will be limited to Rs. 12,000. That is, maximum amount of savings can be Rs. 60,000. In the case of author, playwright, artist, musician, actor or sportsman (including an athlete) [refer (a)(2) above], the said rebate is upto Rs. 17,500. That is, maximum amount of savings can be Rs. 70,000, in their cases [Section 88(6)].

2. The total of both the rebates under sections 88 & 88B will be limited to income-tax chargeable (before allowing the said rebates) on the taxable income [Section 87(2)].

3. The tables given hereunder is before the rebates under section 88 & 88B. The following example will illustrate the method to calculate the tax payable:

EXAMPLE:

1. Taxable income, that is gross total income as reduced by deduction u/s. 80D to 80U for assessment year 1995-96, is	Rs.	53,000
2. Contribution to public provident fund & life insurance premia paid, qualifying for deduction u/s. 88, is	Rs.	10,000
Income-tax chargeable on Rs. 53,000 taxable income (Refer page 291)	Rs.	3,600
Less: Deduction from income-tax u/s. 88:		
Deduction @ 20% of Rs. 10,000 (Refer 2 above)	Rs.	2,000
Advance tax payable on Rs. 53,000 taxable (current) income	Rs.	1,600

* This table also applies to association of persons, body of individuals, non-residents, etc., etc. In the case of Hindu undivided families, the above table may be referred only in cases where none of the members of the family has independent taxable income exceeding Rs. 35,000. In cases where any one or more members of Hindu undivided family have independent taxable income in excess of Rs. 35,000, the tax computation of such Hindu undivided family is given on page 296.

For examples, refer pp. 284-289. The relevant tables for the assessment year 1994-95 is given on pp. 210-212.

Note: Advance tax payable on current income (as reduced by long-term capital gains, if any) is to be computed with reference to the above table. For advance tax payable on long-term capital gains, refer pp. 134-135.

TABLE A — (Contd.)

Before you proceed to refer this table, please refer explanatory note marked "****IMPORTANT" on page 290.

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.
35000	—	37300	460	40500	1100	43700	1740	46900	2380	50200	3040	53500	3700	56800	4360
35010	2	37400	480	40600	1120	43800	1760	47000	2400	50300	3060	53600	3720	56900	4380
35020	4	37500	500	40700	1140	43900	1780	47100	2420	50400	3080	53700	3740	57000	4400
35030	6	37600	520	40800	1160	44000	1800	47200	2440	50500	3100	53800	3760	57100	4420
35040	8	37700	540	40900	1180	44100	1820	47300	2460	50600	3120	53900	3780	57200	4440
35050	10	37800	560	41000	1200	44200	1840	47400	2480	50700	3140	54000	3800	57300	4460
35060	12	37900	580	41100	1220	44300	1860	47500	2500	50800	3160	54100	3820	57400	4480
35070	14	38000	600	41200	1240	44400	1880	47600	2520	50900	3180	54200	3840	57500	4500
35080	16	38100	620	41300	1260	44500	1900	47700	2540	51000	3200	54300	3860	57600	4520
35090	18	38200	640	41400	1280	44600	1920	47800	2560	51100	3220	54400	3880	57700	4540
35100	20	38300	660	41500	1300	44700	1940	47900	2580	51200	3240	54500	3900	57800	4560
35200	40	38400	680	41600	1320	44800	1960	48000	2600	51300	3260	54600	3920	57900	4580
35300	60	38500	700	41700	1340	44900	1980	48100	2620	51400	3280	54700	3940	58000	4600
35400	80	38600	720	41800	1360	45000	2000	48200	2640	51500	3300	54800	3960	58100	4620
35500	100	38700	740	41900	1380	45100	2020	48300	2660	51600	3320	54900	3980	58200	4640
35600	120	38800	760	42000	1400	45200	2040	48400	2680	51700	3340	55000	4000	58300	4660
35700	140	38900	780	42100	1420	45300	2060	48500	2700	51800	3360	55100	4020	58400	4680
35800	160	39000	800	42200	1440	45400	2080	48600	2720	51900	3380	55200	4040	58500	4700
35900	180	39100	820	42300	1460	45500	2100	48700	2740	52000	3400	55300	4060	58600	4720
36000	200	39200	840	42400	1480	45600	2120	48800	2760	52100	3420	55400	4080	58700	4740
36100	220	39300	860	42500	1500	45700	2140	48900	2780	52200	3440	55500	4100	58800	4760
36200	240	39400	880	42600	1520	45800	2160	49000	2800	52300	3460	55600	4120	58900	4780
36300	260	39500	900	42700	1540	45900	2180	49100	2820	52400	3480	55700	4140	59000	4800
36400	280	39600	920	42800	1560	46000	2200	49200	2840	52500	3500	55800	4160	59100	4820
36500	300	39700	940	42900	1580	46100	2220	49300	2860	52600	3520	55900	4180	59200	4840
36600	320	39800	960	43000	1600	46200	2240	49400	2880	52700	3540	56000	4200	59300	4860
36700	340	39900	980	43100	1620	46300	2260	49500	2900	52800	3560	56100	4220	59400	4880
36800	360	40000	1000	43200	1640	46400	2280	49600	2920	52900	3580	56200	4240	59500	4900
36900	380	40100	1020	43300	1660	46500	2300	49700	2940	53000	3600	56300	4260	59600	4920
37000	400	40200	1040	43400	1680	46600	2320	49800	2960	53100	3620	56400	4280	59700	4940
37100	420	40300	1060	43500	1700	46700	2340	49900	2980	53200	3640	56500	4300	59800	4960
37200	440	40400	1080	43600	1720	46800	2360	50000	3000	53300	3660	56600	4320	59900	4980
37300	460	40500	1100	43700	1740	46900	2380	50100	3020	53400	3680	56700	4340	60000	5000

TABLE B
INCOME-TAX **
FOR INDIVIDUALS ONLY*
WHERE THE TAXABLE INCOME IS BETWEEN:
Rs. 60,000 & Rs. 1,20,000
ASSESSMENT YEAR

1995-96

Accounting period: Financial year ending 31-3-1995.

The table given hereunder may be referred for the purposes of:

- (1) "ADVANCE TAX" payable during the financial year ending on 31-3-1995, and
- (2) Deduction of income-tax from "Salaries" during the financial year ending on 31-3-1995.

Before you proceed to refer this table, please refer explanatory note marked "*IMPORTANT" on page 290.

SLAB RATE: INCOME-TAX @ 30%

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.
10	3	20	6	30	9	40	12	50	15	60	18	70	21	90	27
20	6	30	9	40	12	50	15	60	18	70	21	80	24	100	30
60000	5000	61800	5540	63600	6080	65400	6620	67200	7160	69000	7700	70800	8240	72600	8780
60100	5030	61900	5570	63700	6110	65500	6650	67300	7190	69100	7730	70900	8270	72700	8810
60200	5060	62000	5600	63800	6140	65600	6680	67400	7220	69200	7760	71000	8300	72800	8840
60300	5090	62100	5630	63900	6170	65700	6710	67500	7250	69300	7790	71100	8330	72900	8870
60400	5120	62200	5660	64000	6200	65800	6740	67600	7280	69400	7820	71200	8360	73000	8900
60500	5150	62300	5690	64100	6230	65900	6770	67700	7310	69500	7850	71300	8390	73100	8930
60600	5180	62400	5720	64200	6260	66000	6800	67800	7340	69600	7880	71400	8420	73200	8960
60700	5210	62500	5750	64300	6290	66100	6830	67900	7370	69700	7910	71500	8450	73300	8990
60800	5240	62600	5780	64400	6320	66200	6860	68000	7400	69800	7940	71600	8480	73400	9020
60900	5270	62700	5810	64500	6350	66300	6890	68100	7430	69900	7970	71700	8510	73500	9050
61000	5300	62800	5840	64600	6380	66400	6920	68200	7460	70000	8000	71800	8540	73600	9080
61100	5330	62900	5870	64700	6410	66500	6950	68300	7490	70100	8030	71900	8570	73700	9110
61200	5360	63000	5900	64800	6440	66600	6980	68400	7520	70200	8060	72000	8600	73800	9140
61300	5390	63100	5930	64900	6470	66700	7010	68500	7550	70300	8090	72100	8630	73900	9170
61400	5420	63200	5960	65000	6500	66800	7040	68600	7580	70400	8120	72200	8660	74000	9200
61500	5450	63300	5990	65100	6530	66900	7070	68700	7610	70500	8150	72300	8690	74100	9230
61600	5480	63400	6020	65200	6560	67000	7100	68800	7640	70600	8180	72400	8720	74200	9260
61700	5510	63500	6050	65300	6590	67100	7130	68900	7670	70700	8210	72500	8750	74300	9290

* This table also applies to association of persons, body of individuals, non-residents, etc., etc. In the case of Hindu undivided families, the above table may be referred only in cases where none of the members of the family has independent taxable income exceeding Rs. 35,000. In cases where any one or more members of Hindu undivided family have independent taxable income in excess of Rs. 35,000, the tax computation of such Hindu undivided family is given on pp. 296-297.

For examples, refer pp. 284-289. The relevant tables for the assessment year 1994-95 is given on pp. 212-214.

Note: Advance tax payable on current income (as reduced by long-term capital gains, if any) is to be computed with reference to the above table. For advance tax payable on long-term capital gains, refer pp. 134-135.

TABLE B — (Contd.)

Before you proceed to refer this table, please refer explanatory note marked "IMPORTANT" on page 290.

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.
74400	9320	77700	10310	81000	11300	87200	13160	93800	15140	100400	17120	107000	19100	113600	21080
74500	9350	77800	10340	81100	11330	87400	13220	94000	15200	100600	17180	107200	19160	113800	21140
74600	9380	77900	10370	81200	11360	87600	13280	94200	15260	100800	17240	107400	19220	114000	21200
74700	9410	78000	10400	81300	11390	87800	13340	94400	15320	101000	17300	107600	19280	114200	21260
74800	9440	78100	10430	81400	11420	88000	13400	94600	15380	101200	17360	107800	19340	114400	21320
74900	9470	78200	10460	81600	11480	88200	13460	94800	15440	101400	17420	108000	19400	114600	21380
75000	9500	78300	10490	81800	11540	88400	13520	95000	15500	101600	17480	108200	19460	114800	21440
75100	9530	78400	10520	82000	11600	88600	13580	95200	15560	101800	17540	108400	19520	115000	21500
75200	9560	78500	10550	82200	11660	88800	13640	95400	15620	102000	17600	108600	19580	115200	21560
75300	9590	78600	10580	82400	11720	89000	13700	95600	15680	102200	17660	108800	19640	115400	21620
75400	9620	78700	10610	82600	11780	89200	13760	95800	15740	102400	17720	109000	19700	115600	21680
75500	9650	78800	10640	82800	11840	89400	13820	96000	15800	102600	17780	109200	19760	115800	21740
75600	9680	78900	10670	83000	11900	89600	13880	96200	15860	102800	17840	109400	19820	116000	21800
75700	9710	79000	10700	83200	11960	89800	13940	96400	15920	103000	17900	109600	19880	116200	21860
75800	9740	79100	10730	83400	12020	90000	14000	96600	15980	103200	17960	109800	19940	116400	21920
75900	9770	79200	10760	83600	12080	90200	14060	96800	16040	103400	18020	110000	20000	116600	21980
76000	9800	79300	10790	83800	12140	90400	14120	97000	16100	103600	18080	110200	20060	116800	22040
76100	9830	79400	10820	84000	12200	90600	14180	97200	16160	103800	18140	110400	20120	117000	22100
76200	9860	79500	10850	84200	12260	90800	14240	97400	16220	104000	18200	110600	20180	117200	22160
76300	9890	79600	10880	84400	12320	91000	14300	97600	16280	104200	18260	110800	20240	117400	22220
76400	9920	79700	10910	84600	12380	91200	14360	97800	16340	104400	18320	111000	20300	117600	22280
76500	9950	79800	10940	84800	12440	91400	14420	98000	16400	104600	18380	111200	20360	117800	22340
76600	9980	79900	10970	85000	12500	91600	14480	98200	16460	104800	18440	111400	20420	118000	22400
76700	10010	80000	11000	85200	12560	91800	14540	98400	16520	105000	18500	111600	20480	118200	22460
76800	10040	80100	11030	85400	12620	92000	14600	98600	16580	105200	18560	111800	20540	118400	22520
76900	10070	80200	11060	85600	12680	92200	14660	98800	16640	105400	18620	112000	20600	118600	22580
77000	10100	80300	11090	85800	12740	92400	14720	99000	16700	105600	18680	112200	20660	118800	22640
77100	10130	80400	11120	86000	12800	92600	14780	99200	16760	105800	18740	112400	20720	119000	22700
77200	10160	80500	11150	86200	12860	92800	14840	99400	16820	106000	18800	112600	20780	119200	22760
77300	10190	80600	11180	86400	12920	93000	14900	99600	16880	106200	18860	112800	20840	119400	22820
77400	10220	80700	11210	86600	12980	93200	14960	99800	16940	106400	18920	113000	20900	119600	22880
77500	10250	80800	11240	86800	13040	93400	15020	100000	17000	106600	18980	113200	20960	119800	22940
77600	10280	80900	11270	87000	13100	93600	15080	100200	17060	106800	19040	113400	21020	120000	23000

TABLE C
INCOME-TAX**
FOR INDIVIDUALS ONLY*

WHERE THE TAXABLE INCOME IS BETWEEN:
Rs. 1,20,000 & Rs. 10,00,000

ASSESSMENT YEAR

1995-96

Accounting period: Financial year ending 31-3-1995.

The table given hereunder may be referred for the purposes of:

- (1) "ADVANCE TAX" payable during the financial year ending on 31-3-1995, and
- (2) Deduction of tax from "SALARIES" during the financial year ending on 31-3-1995.

Before you proceed to refer this table, please refer explanatory note marked "*IMPORTANT" on page 290.

SLAB RATE: INCOME-TAX @ 40%

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.
10	4	40	16	70	28	100	40	400	160	700	280	900	360	2000	800
20	8	50	20	80	32	200	80	500	200	800	320	1000	400	3000	1200
30	12	60	24	90	36	300	120	600	240	900	360	2000	800	4000	1600
120000	23000	123800	24520	127600	26040	137000	29800	156000	37400	175000	45000	194000	52600	212000	59800
120200	23080	124000	24600	127800	26120	138000	30200	157000	37800	176000	45400	195000	53000	213000	60200
120400	23160	124200	24680	128000	26200	139000	30600	158000	38200	177000	45800	196000	53400	214000	60600
120600	23240	124400	24760	128200	26280	140000	31000	159000	38600	178000	46200	197000	53800	215000	61000
120800	23320	124600	24840	128400	26360	141000	31400	160000	39000	179000	46600	198000	54200	216000	61400
121000	23400	124800	24920	128600	26440	142000	31800	161000	39400	180000	47000	199000	54600	217000	61800
121200	23480	125000	25000	128800	26520	143000	32200	162000	39800	181000	47400	200000	55000	218000	62200
121400	23560	125200	25080	129000	26600	144000	32600	163000	40200	182000	47800	201000	55400	219000	62600
121600	23640	125400	25160	129200	26680	145000	33000	164000	40600	183000	48200	202000	55800	220000	63000
121800	23720	125600	25240	129400	26760	146000	33400	165000	41000	184000	48600	203000	56200	221000	63400
122000	23800	125800	25320	129600	26840	147000	33800	166000	41400	185000	49000	204000	56600	222000	63800
122200	23880	126000	25400	129800	26920	148000	34200	167000	41800	186000	49400	205000	57000	223000	64200
122400	23960	126200	25480	130000	27000	149000	34600	168000	42200	187000	49800	206000	57400	224000	64600
122600	24040	126400	25560	131000	27400	150000	35000	169000	42600	188000	50200	207000	57800	225000	65000
122800	24120	126600	25640	132000	27800	151000	35400	170000	43000	189000	50600	208000	58200	226000	65400
123000	24200	126800	25720	133000	28200	152000	35800	171000	43400	190000	51000	209000	58600	227000	65800
123200	24280	127000	25800	134000	28600	153000	36200	172000	43800	191000	51400	210000	59000	228000	66200
123400	24360	127200	25880	135000	29000	154000	36600	173000	44200	192000	51800	211000	59400	229000	66600
123600	24440	127400	25960	136000	29400	155000	37000	174000	44600	193000	52200	212000	59800	230000	67000

* This table also applies to association of persons, body of individuals, non-residents, etc., etc. In the case of Hindu undivided families, the above table may be referred only in cases where none of the members of the family has independent taxable income exceeding Rs. 35,000. In cases where any one or more members of Hindu undivided family have independent taxable income in excess of Rs. 35,000, the tax computation of such Hindu undivided family is given on page 297.

For examples, refer pp. 284-289. The relevant table for the assessment year 1994-95 is given on pp. 214-215.

Note: Advance tax payable on current income (as reduced by long-term capital gains, if any) is to be computed with reference to the above table. For advance tax payable on long-term capital gains, refer pp. 134-135.

TABLE C—(Contd.)

Before you proceed to refer this table, please refer explanatory note marked "*IMPORTANT" on page 290.

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.
230000	67000	258000	78200	286000	89400	325000	105000	460000	159000	595000	213000	730000	267000	865000	321000
231000	67400	259000	78600	287000	89800	330000	107000	465000	161000	600000	215000	735000	269000	870000	323000
232000	67800	260000	79000	288000	90200	335000	109000	470000	163000	605000	217000	740000	271000	875000	325000
233000	68200	261000	79400	289000	90600	340000	111000	475000	165000	610000	219000	745000	273000	880000	327000
234000	68600	262000	79800	290000	91000	345000	113000	480000	167000	615000	221000	750000	275000	885000	329000
235000	69000	263000	80200	291000	91400	350000	115000	485000	169000	620000	223000	755000	277000	890000	331000
236000	69400	264000	80600	292000	91800	355000	117000	490000	171000	625000	225000	760000	279000	895000	333000
237000	69800	265000	81000	293000	92200	360000	119000	495000	173000	630000	227000	765000	281000	900000	335000
238000	70200	266000	81400	294000	92600	365000	121000	500000	175000	635000	229000	770000	283000	905000	337000
239000	70600	267000	81800	295000	93000	370000	123000	505000	177000	640000	231000	775000	285000	910000	339000
240000	71000	268000	82200	296000	93400	375000	125000	510000	179000	645000	233000	780000	287000	915000	341000
241000	71400	269000	82600	297000	93800	380000	127000	515000	181000	650000	235000	785000	289000	920000	343000
242000	71800	270000	83000	298000	94200	385000	129000	520000	183000	655000	237000	790000	291000	925000	345000
243000	72200	271000	83400	299000	94600	390000	131000	525000	185000	660000	239000	795000	293000	930000	347000
244000	72600	272000	83800	300000	95000	395000	133000	530000	187000	665000	241000	800000	295000	935000	349000
245000	73000	273000	84200	301000	95400	400000	135000	535000	189000	670000	243000	805000	297000	940000	351000
246000	73400	274000	84600	302000	95800	405000	137000	540000	191000	675000	245000	810000	299000	945000	353000
247000	73800	275000	85000	303000	96200	410000	139000	545000	193000	680000	247000	815000	301000	950000	355000
248000	74200	276000	85400	304000	96600	415000	141000	550000	195000	685000	249000	820000	303000	955000	357000
249000	74600	277000	85800	305000	97000	420000	143000	555000	197000	690000	251000	825000	305000	960000	359000
250000	75000	278000	86200	306000	97400	425000	145000	560000	199000	695000	253000	830000	307000	965000	361000
251000	75400	279000	86600	307000	97800	430000	147000	565000	201000	700000	255000	835000	309000	970000	363000
252000	75800	280000	87000	308000	98200	435000	149000	570000	203000	705000	257000	840000	311000	975000	365000
253000	76200	281000	87400	309000	98600	440000	151000	575000	205000	710000	259000	845000	313000	980000	367000
254000	76600	282000	87800	310000	99000	445000	153000	580000	207000	715000	261000	850000	315000	985000	369000
255000	77000	283000	88200	315000	101000	450000	155000	585000	209000	720000	263000	855000	317000	990000	371000
256000	77400	284000	88600	320000	103000	455000	157000	590000	211000	725000	265000	860000	319000	995000	373000
257000	77800	285000	89000	325000	105000	460000	159000	595000	213000	730000	267000	865000	321000	1000000	375000

Income-tax payable over Rs. 10,00,000 taxable Income for assessment year 1995-96:

Income-tax

For every	Rs. 10,000	..	Rs. 4,000
For every	Rs. 1,000	..	Rs. 400
For every	Rs. 100	..	Rs. 40
For every	Rs. 10	..	Rs. 4

TABLE D

INCOME-TAX FOR HINDU UNDIVIDED FAMILIES ONLY*

Where

The independent total (taxable) income of at least one member exceeds Rs. 35,000

ASSESSMENT YEAR

1995-96§

Accounting period: Financial year ending 31-3-1995.

The table given hereunder may be referred for the purposes of:

"ADVANCE TAX" payable during the financial year ending on 31-3-1995.

Before you proceed to refer this table, please refer explanatory note marked "*** IMPORTANT" on page 290.

EXAMPLE:

1. Taxable income, that is gross total income as reduced by deductions u/s. 80D to 80L for assessment year 1995-96, is	Rs.	28,000
2. Life insurance premia paid, qualifying for deduction u/s. 88, is	Rs.	5,000
Income-tax chargeable on Rs. 28,000 taxable income (Refer table below)	Rs.	3,000
Less: Deduction from income-tax u/s. 88:		
Deduction @ 20% of Rs. 5,000 (Refer 2 above)	Rs.	1,000
Advance tax payable on Rs. 28,000 taxable (current) income for assessment year 1995-96	Rs.	2,000

WHERE THE TAXABLE INCOME IS BETWEEN:

Rs. 18,000 & Rs. 1,00,000

SLAB RATE: I.T. 30%

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.
10	3	30	9	50	15	70	21	90	27	200	60	400	120	700	210
20	6	40	12	60	18	80	24	100	30	300	90	500	150	800	240
30	9	50	15	70	21	90	27	200	60	400	120	600	180	900	270
18000	—	19800	540	23200	1560	26600	2580	34000	4800	51000	9900	68000	15000	84000	19800
18100	30	20000	600	23400	1620	26800	2640	35000	5100	52000	10200	69000	15300	85000	20100
18200	60	20200	660	23600	1680	27000	2700	36000	5400	53000	10500	70000	15600	86000	20400
18300	90	20400	720	23800	1740	27200	2760	37000	5700	54000	10800	71000	15900	87000	20700
18400	120	20600	780	24000	1800	27400	2820	38000	6000	55000	11100	72000	16200	88000	21000
18500	150	20800	840	24200	1860	27600	2880	39000	6300	56000	11400	73000	16500	89000	21300
18600	180	21000	900	24400	1920	27800	2940	40000	6600	57000	11700	74000	16800	90000	21600
18700	210	21200	960	24600	1980	28000	3000	41000	6900	58000	12000	75000	17100	91000	21900
18800	240	21400	1020	24800	2040	28200	3060	42000	7200	59000	12300	76000	17400	92000	22200
18900	270	21600	1080	25000	2100	28400	3120	43000	7500	60000	12600	77000	17700	93000	22500
19000	300	21800	1140	25200	2160	28600	3180	44000	7800	61000	12900	78000	18000	94000	22800
19100	330	22000	1200	25400	2220	28800	3240	45000	8100	62000	13200	79000	18300	95000	23100
19200	360	22200	1260	25600	2280	29000	3300	46000	8400	63000	13500	80000	18600	96000	23400
19300	390	22400	1320	25800	2340	30000	3600	47000	8700	64000	13800	81000	18900	97000	23700
19400	420	22600	1380	26000	2400	31000	3900	48000	9000	65000	14100	82000	19200	98000	24000
19500	450	22800	1440	26200	2460	32000	4200	49000	9300	66000	14400	83000	19500	99000	24300
19600	480	23000	1500	26400	2520	33000	4500	50000	9600	67000	14700	84000	19800	100000	24600

*Important: This table is to be referred only in cases where the assessee is a Hindu undivided family and any one or more members have independent total (taxable) income exceeding Rs. 35,000. If none of the members of Hindu undivided family has taxable income exceeding Rs. 35,000, please refer the tables given on pp. 290-293.

§The relevant table for the assessment year 1994-95 is given on page 216.

Note: Advance tax payable on current income (as reduced by long-term capital gains, if any) is to be computed with reference to the above table. For advance tax payable on long-term capital gains, refer pp. 134-135.

TABLE E

INCOME-TAX FOR HINDU UNDIVIDED FAMILIES ONLY*

Where

The independent total (taxable) income of at least one member exceeds Rs. 35,000

ASSESSMENT YEAR

1995-96§

Accounting period: Financial year ending 31-3-1995.

The table given hereunder may be referred for the purposes of:

"ADVANCE TAX" payable during the financial year ending on 31-3-1995.

Before you proceed to refer this table, please refer explanatory note marked "*** IMPORTANT" on page 290.

WHERE THE TAXABLE INCOME IS BETWEEN:

Rs. 1,00,000 & Rs. 5,00,000

SLAB RATE: I.T. 40%

Taxable income Rs.	I.T. Rs.	Taxable income Rs.	I.T. Rs.	Taxable income Rs.	I.T. Rs.	Taxable income Rs.	I.T. Rs.	Taxable income Rs.	I.T. Rs.	Taxable income Rs.	I.T. Rs.
10	4	50	20	90	36	400	160	700	280	1000	400
20	8	60	24	100	40	500	200	800	320	2000	800
30	12	70	28	200	80	600	240	900	360	3000	1200
40	16	80	32	300	120	700	280	1000	400	4000	1600
10000	24600	120000	32600	140000	40600	200000	64600	300000	104600	400000	144600
101000	25000	121000	33000	141000	41000	205000	66600	305000	106600	405000	146600
102000	25400	122000	33400	142000	41400	210000	68600	310000	108600	410000	148600
103000	25800	123000	33800	143000	41800	215000	70600	315000	110600	415000	150600
104000	26200	124000	34200	144000	42200	220000	72600	320000	112600	420000	152600
105000	26600	125000	34600	145000	42600	225000	74600	325000	114600	425000	154600
106000	27000	126000	35000	146000	43000	230000	76600	330000	116600	430000	156600
107000	27400	127000	35400	147000	43400	235000	78600	335000	118600	435000	158600
108000	27800	128000	35800	148000	43800	240000	80600	340000	120600	440000	160600
109000	28200	129000	36200	149000	44200	245000	82600	345000	122600	445000	162600
110000	28600	130000	36600	150000	44600	250000	84600	350000	124600	450000	164600
111000	29000	131000	37000	155000	46600	255000	86600	355000	126600	455000	166600
112000	29400	132000	37400	160000	48600	260000	88600	360000	128600	460000	168600
113000	29800	133000	37800	165000	50600	265000	90600	365000	130600	465000	170600
114000	30200	134000	38200	170000	52600	270000	92600	370000	132600	470000	172600
115000	30600	135000	38600	175000	54600	275000	94600	375000	134600	475000	174600
116000	31000	136000	39000	180000	56600	280000	96600	380000	136600	480000	176600
117000	31400	137000	39400	185000	58600	285000	98600	385000	138600	485000	178600
118000	31800	138000	39800	190000	60600	290000	100600	390000	140600	490000	180600
119000	32200	139000	40200	195000	62600	295000	102600	395000	142600	495000	182600
120000	32600	140000	40600	200000	64600	300000	104600	400000	144600	500000	184600

*Important: This table is to be referred only in cases where the assessee is a Hindu undivided family and any one or more members have independent total (taxable) income exceeding Rs. 35,000. If none of the members of Hindu undivided family has taxable income exceeding Rs. 35,000, please refer the tables given on pp. 292-295.

§The relevant table for the assessment year 1994-95 is given on page 217.

Note: Advance tax payable on current income (as reduced by long-term capital gains, if any) is to be computed with reference to the above table. For advance tax payable on long-term capital gains, refer pp. 134-135.

TAX SAVINGS PLAN

(Under the existing Small Savings Schemes in force as on 1st April, 1994)

Name of the Scheme (Security)	Limits of Investment	Rate of interest and when payable	Whether the INTEREST IS TAX-FREE under Sec. 10 of the Income-tax Act	Whether the amount INVESTED qualifies for deduction from income-tax u/s. 88 of the Income-tax Act	Whether the INVESTMENT is an asset liable to Wealth-tax under Sec. 2(ea) of the Wealth-tax Act
1. Post Office Savings Bank.	Minimum Rs. 20. Maximum Rs. 50,000 for an individual and Rs. 1,00,000 for 2 or 3 adults jointly, in one or more accounts.	at 5½% (Tax free) payable annually by credit to the account.	Yes. See Sec. 10(15)(i). Noti. No. G.S.R. 607(E), dt. 9-6-89 [178 ITR(St.) 43]	No	No and as such wealth-tax is not payable
2. Public Provident Fund Accounts.	Minimum Rs. 100 and maximum Rs. 60,000 in every financial year (Minimum period 15 years). Individuals & H.U.F. [Sec. 88(2)(v) read with Sec. 88 (4)(a)].	Current rate 12% compound, to be credited to the account at the end of every financial year, payable at the time of final withdrawal.*	Yes. Sec. 10(11).	Yes (upto aggregate of Rs. 60,000. Refer page 205)	No
3. National Savings Certificates VIII Issue†.	In denomination of Rs. 100, Rs. 500, Rs. 1,000, Rs. 5,000 & Rs. 10,000 (without limit).	12% compounded (half-yearly) at maturity Rs. 100 becomes Rs. 201.50†.	Qualifying for ded. u/s. 80L within limit of Rs. 10,000.	Yes (upto aggregate of Rs. 60,000. Refer page 205)	No
4. Post Office Time Deposit Accounts.	In multiples of Rs. 50 (without limit). Trusts, associations, companies, corporations, societies, firms, local authorities, etc. can also deposit.	@ 10.5% for 1 year account. @ 11% for 2 years account. @ 12% for 3 years account. @ 12.5% for 5 years account. Interest payable annually calculated at quarterly rest.	Qualifying for deduction under Sec. 80L within limit of Rs. 10,000	No No No No	No No No No
5. Post Office Recurring Deposit Accounts.†† (Period 5 years).	In multiple of Rs. 5 and minimum monthly deposit of Rs. 10. No limit. Advance deposits allowed.	12.5% compound, at maturity (i.e. after 5 years). An amount of Rs. 10 denomination will yield Rs. 833.40 at maturity.	Do	No	No
6. 10-Year Capital Investment Bonds § & **	Without any limit in the case of Individual and H.U.F. [The sale of this Bonds was discontinued in 1988]	7% payable half-yearly.	Yes. See Sec. 10(15)(iib)	No	No
7. 5-Year 9% Relief Bonds, 1993§§	Without any limit in the case of Individual and H.U.F.	9% payable half-yearly or on maturity compounded with half-yearly rests.	Yes. See Sec. 10(15)(iic)	No	No
8. National Savings Scheme (1992)‡	Deposits in multiple of Rs. 100. Individual & H.U.F.‡.	@ 11% to be credited annually on 1st April. The interest allowed for calendar month on the lowest balance at the credit of an account between the close of 10th day and end of the month.	Interest credited in the account may be withdrawn at any time. The deposits may be withdrawn after the expiry of 4 years from the end of the year in which account was opened, at the option of the depositor‡.	Yes (upto aggregate of Rs. 60,000. Refer page 205)	No

9. 10-Year Post Office Cumulative Time Deposit Accounts have been discontinued w.e.f. 1-4-1986. However, in respect of such accounts opened before 1-4-1986, the depositor will continue to enjoy all the benefits hitherto available under the Income-tax Act and Wealth-tax Act.

10. 7-Year National Savings Certificates II Issue have been discontinued w.e.f. 1-10-1988. However, in respect of investment made prior to 1-10-1988, the investor will continue to enjoy all the benefits hitherto available under the Income-tax Act and Wealth-tax Act.

11. 6-Year National Savings Certificates VI and VII Issue have been discontinued w.e.f. 1-4-1989. However, in respect of investment made prior to 1-4-1989, the investor will continue to enjoy all the benefits hitherto available under Income-tax Act and Wealth-tax Act.

* A subscriber can make withdrawal in the 6th financial year of the date of the opening account of an amount not exceeding 50% of the balance at the end of the 4th year immediately preceding the year of withdrawal or at the end of the preceding year, whichever is lower.

A subscriber may, on expiry of 15 years from the end of the year in which the initial subscription was made but before the expiry of one year thereafter, may exercise an option with the accounts office in Form H that he would continue to subscribe for a further block period of 5 years. In the event of a subscriber opting to subscribe for the aforesaid block period, he would be eligible to make one partial withdrawal per year subject to the condition that the total of the withdrawals, during the 5 year block period, shall not exceed 60% of the balance at his credit at the commencement of the said period. Where, however, the subscriber does not wish to make any further subscription, the balance at his credit shall continue to earn interest until he applies to the accounts office for the withdrawal of the entire balance standing to his credit.

† Annual accrual of interest to be accounted for tax purposes. Accrued interest on NSC VIII Issue eligible for deduction from income-tax u/s. 88. For details, refer pp. 205-209.

†† Life risk covered upto an account of the denomination of Rs. 50 per month.

§ Also exempt in the case of original subscriber upto a maximum of Rs. 10 lakhs from Gift-tax in the aggregate in one or more previous years.

§§ Also exempt in the case of original subscriber upto a maximum of Rs. 5 lakhs from Gift-tax in the aggregate in one or more previous years.

** For the limited purpose of obtaining advance against the Capital Investment Bonds, the Bonds can be transferred in favour of any banking company, State Bank of India, Co-operative bank, etc. etc.

‡ The amount of interest qualifies for deduction u/s. 80L(1)(iii) [Vide Notification No. G.S.R. 820(E), dt. 21-10-92. 198 ITR(St.)133]. The amount of deposits withdrawn is not chargeable to income-tax as income. A separate account shall be opened in a Post Office by every depositor for each year commencing on 1st day of April. Withdrawals are not subject to deduction of tax @ source. Individual can open an account in joint names. The deposits or interest amount not withdrawn after it becomes due, will continue to earn interest at the rate of 11% p.a. to the date of its withdrawal.

Note: An employee who is contributing to a Provident Fund as per his service conditions, can also simultaneously contribute to the Public Provident Fund.
Source: Director of Small Savings, Maharashtra, opp. Mantralaya, Bombay-400 032.

IMPORTANT CIRCULARS ON DIRECT TAXES:

I. CIRCULARS REGARDING EXPLANATORY NOTES ON FINANCE AND OTHER AMENDING ACTS
ON PROVISIONS RELATING TO DIRECT TAXES

							Circular No.	Date	Refer
1.	FINANCE ACTS:								
	Finance Act, 1993	..	..	..	..	..	657	30-8-93	204 ITR (St.) 106.
	Finance Act, 1992	..	..	..	..	..	636	31-8-92	198 ITR (St.) 1.
	Finance (No. 2) Act, 1991*	..	..	..	..	..	621*	19-12-91	195 ITR (St.) 154.
	Finance Act, 1990	..	..	..	..	..	572	3-8-90	186 ITR (St.) 81.
	Finance Act, 1989	..	..	..	..	..	550	1-1-90	182 ITR (St.) 114.
	Finance Act, 1988	..	..	..	..	..	528	16-12-88	176 ITR (St.) 154.
	Finance Act, 1987	..	..	..	..	..	495 & 511	22-9-87 10-5-88	168 ITR (St.) 87. 172 ITR (St.) 4.
	Finance Act, 1986	..	..	..	..	..	461	9-7-86	161 ITR (St.) 17.
	Finance Act, 1985	..	..	..	..	..	421	12-6-85	156 ITR (St.) 130.
	Finance Act, 1984	..	..	..	..	..	387	6-7-84	152 ITR (St.) 1.
	Finance Act, 1983	..	..	..	..	..	372	8-12-83	146 ITR (St.) 9.
	Finance Act, 1982	..	..	..	..	..	346	30-6-82	138 ITR (St.) 10.
	Finance Act, 1981	..	..	..	..	..	308	29-6-81	131 ITR (St.) 119.
	Finance (No. 2) Act, 1980	..	..	..	..	..	281	22-9-80	131 ITR (St.) 4.
	Finance Act, 1980	..	..	..	..	..	268	28-4-80	131 ITR (St.) 54.
	Finance Act, 1979	..	..	..	..	..	258	14-6-79	131 ITR (St.) 88.
	Finance Act, 1978	..	..	..	..	..	240	17-5-78	117 ITR (St.) 17.
	Finance (No. 2) Act, 1977	..	..	..	..	..	229	9-8-77	111 ITR (St.) 9.
	Finance Act, 1976	..	..	..	..	..	202 & 247	5-7-76 21-10-78	105 ITR (St.) 17. 116 ITR (St.) 27.
	Finance (Amendment) Act, 1975	..	..	..	..	..	177	5-9-75	101 ITR (St.) 52.
	Finance Act, 1975	..	..	..	..	..	169	23-6-75	
	Finance (No. 2) Act, 1974	..	..	..	..	..	144	9-9-74	97 ITR (St.) 3.
	Finance Act, 1974	..	..	..	..	..	138	17-6-74	ITL (1975) (St.) 170.
	Finance Act, 1973	..	..	..	..	..	126	28-11-73	93 ITR (St.) 36.
	Finance Act, 1972	..	..	..	..	..	108	20-3-73	
	Finance (No. 2) Act, 1971	..	..	..	..	..	72	6-1-72	
	Finance Act, 1970	..	..	..	..	..	45	2-9-70	79 ITR (St.) 33.
2.	OTHER AMENDING ACTS:								
	Taxation Laws (Amendment) Act, 1991	..	..	..	..	..	593, 598 & 591	5-2-91 3-4-91 30-1-91	188 ITR (St.) 8. 189 ITR (St.) 35. 188 ITR (St.) 1.
	Direct Tax Laws (Second Amendment) Act, 1989	..	..	..	..	..	554	13-2-90	183 ITR (St.) 130.
	Direct Tax Laws (Amendment) Act, 1987:								
	Provisions relating to assessment of partnership firms	..	..	..	..	..	516	15-6-88	172 ITR (St.) 29.
	Provisions relating to Charitable & religious trusts, etc.	..	..	..	..	..	524	17-10-88	174 ITR (St.) 2.
	Direct Tax Laws (Amendment) Act, 1987 [as amended by the Direct Tax Laws (Amendment) Act, 1989]:								
	Part I-Provisions which have come into force w.e.f. 1-4-1988	..	..	..	..	..	545	21-9-89	181 ITR (St.) 198.
	Part II-Provisions which have come into force w.e.f. 1-4-1989	..	..	..	..	..	549	31-10-89	182 ITR (St.) 1.
	Part III-Provisions which have come into force w.e.f. 1-4-1989 (excluding those explained in Part II)	..	..	..	..	..	551	23-1-90	183 ITR (St.) 7.
	Direct Tax Laws (Amendment) Act, 1989:								
	Excluding those discussed in Parts I to III above	..	..	..	..	..	559	4-5-90	184 ITR (St.) 91.
	Taxation Laws (Amendment & Misc. Provisions) Act, 1986	..	..	..	..	..	469	23-9-86	162 ITR (St.) 21.
	Income-tax (Amendment) Act, 1986	..	..	..	..	..	464	18-7-86	161 ITR (St.) 66.

*For modification of the provisions relating to charitable trusts refer Circular No. 642 dt. 15-12-92 [199 ITR (St.) 7].

I. CIRCULARS REGARDING EXPLANATORY NOTES ON FINANCE AND OTHER AMENDING ACTS — ON PROVISIONS RELATING TO DIRECT TAXES (Contd.):

	Circular No.	Date	Refer
Taxation Laws (Amendment) Act, 1984:			
Part I-Provisions which have come into force w.e.f. 1-10-1984 or earlier date	394	14-9-84	150 ITR (St.) 3.
Part II-Provisions which have come into force w.e.f. 1-4-1985..	397	16-10-84	152 ITR (St.) 29.
Income-tax (Second Amendment) Act, 1981	345	28-6-82	140 ITR (St.) 17.
Income-tax (Amendment) Act, 1981	344	22-6-82	140 ITR (St.) 9.
Taxation Laws (Amendment) Act, 1978	245	11-8-78	117 ITR (St.) 1.
Taxation Laws (Amendment) Act, 1975:			
Provisions coming into force w.e.f. 1-1-1976	197	17-4-76	110 ITR (St.) 17.
Provisions effective from 1-4-1976 & 1-4-1977	204	24-7-76	110 ITR (St.) 21.
Provisions coming into force w.e.f. 1-10-1975	179	30-9-75	102 ITR (St.) 9.
Direct Taxes (Amendment) Act, 1974	145	9-9-74	ITL (1975) (St.) 206.
Income-tax (Amendment) Act, 1973	128	2-2-74	93 ITR (St.) 70.
Taxation Laws (Amendment) Act, 1972	96	25-11-72	91 ITR (St.) 1.
Income-tax (Amendment) Act, 1972	98	18-12-72	87 ITR (St.) 27.
Taxation Laws (Amendment) Act, 1970	56	19-3-71	
3. Voluntary Disclosure Scheme Income & Wealth Ordinance, 1975..	180	15-10-75	101 ITR (St.) 88.
	181	25-10-75	109 ITR (St.) 109.
	183	11-11-75	109 ITR (St.) 112.
	184	14-11-75	109 ITR (St.) 115.
4. Expenditure-tax Act, 1987	512	19-5-88	172 ITR (St.) 4.
	637	2-9-88	197 ITR (St.) 154.
	658 &	2-9-93	203 ITR (St.) 109.
Circular No. 645 dt. 15-3-93 & 650 dt. 31-5-93 withdrawn by	679	11-2-94	206 ITR (St.) 4.
5. Hotel Receipts Tax Act, 1980	313	4-9-81	133 ITR (St.) 1.
6. Interest-tax Act, 1974	159	31-12-74	98 ITR (St.) 52.
7. Special Bearer Bonds (Immunities and Exemptions) Act, 1981	318	1-1-82	134 ITR (St.) 162.
8. Remittances in Foreign Exchange (Immunities) Scheme, 1991, and India Development Bonds Scheme, 1991—Clarification thereon	611	30-9-91	191 ITR (St.) 319.

II. CIRCULARS ON DEDUCTION OF TAX AT SOURCE/COLLECTION AT SOURCE UNDER CHAPTER XVII OF THE INCOME-TAX ACT, 1961:

Financial year	Circular No.	Date	Refer
1. FROM "SALARIES" DURING THE FINANCIAL YEAR, UNDER SECTION 192:			
1993-94*	654	22-7-93	203 ITR (St.) 9.
1992-93	629	31-7-92	197 ITR (St.) 65.
1991-92	612	13-11-91	192 ITR (St.) 226.
1990-91	568	27-7-90	184 ITR (St.) 166.
1989-90	537	12-7-89	179 ITR (St.) 1.
2. FROM "INTEREST ON SECURITIES" DURING THE FINANCIAL YEAR, UNDER SECTION 193:			
1993-94	655	26-8-93	203 ITR (St.) 89.
1992-93	630	11-8-92	197 ITR (St.) 154.
1991-92	615	22-11-91	192 ITR (St.) 262.
1990-91	579	14-9-90	185 ITR (St.) 106.
1989-90	543	31-8-89	179 ITR (St.) 116.

In respect of cumulative debentures/bonds, tax is required to be deducted at source every time the interest is credited in the account books of the payer and is not to be postponed till the maturity of debentures/bonds—Circular No. 643 dt. 22-1-93: 200 ITR (St.) 181.

*The employer can allow deduction u/s. 80G @ 100% in respect of donations made to the Chief Minister's Earthquake Relief Fund, Maharashtra on being satisfied about the amount donated by the employee and evidence of its receipt by the fund — Circular No. 678 dt. 10-2-94: 206 ITR (St.) 3.

**II. CIRCULARS ON DEDUCTION OF TAX AT SOURCE/COLLECTION AT SOURCE
UNDER CHAPTER XVII OF THE INCOME-TAX ACT, 1961 (Contd.):**

3. FROM "DIVIDENDS" DURING THE FINANCIAL YEAR, UNDER SECTION 194:

<i>Financial year</i>	<i>Circular No.</i>	<i>Date</i>	<i>Refer</i>
1987-88	509	23-2-88	171 ITR (St.) 4.
1974-75	139	21-6-74	98 ITR (St.) 33.

4. FROM INTEREST OTHER THAN "INTEREST ON SECURITIES" DURING THE FINANCIAL YEAR, UNDER SECTION 194A:

1987-88	510	23-2-88	171 ITR (St.) 5.
1975-76	168	9-6-75	101 ITR (St.) 48.
1974-75	134	16-5-74	95 ITR (St.) 1.

A. Deduction of income-tax from interest on time deposits with banks—

(i) clarification regarding—Circular No. 626 dt. 12-2-92: 193 ITR (St.) 209,

(ii) extension of applicability of section 194A—Circular No. 617 dt. 22-11-91: 192 ITR (St.) 277.

B. From interest payments under the Land Acquisition Act, tax is to be deducted at source—Circular No. 526 dt. 5-12-88: 175 ITR (St.) 2.

C. Deduction of tax @ source—Liability for—clarification regarding—Circular No. 288 dt. 22-12-80: 130 ITR (St.) 2.

D. Deduction of tax @ source—Interest on deposits in joint names—Circular No. 256 dt. 29-5-79: 126 ITR (St.) 22.

E. Where the interest from the buyer is not for the bank as such, but only routed through bank to the recipient supplier, the buyer has to deduct tax at source—Circular No. 48 dt. 7-11-70: 78 ITR (St.) 61.

F. Where the bank discounts usance bill/hundi and credits the net amount to supplier's account immediately without waiting for realisation of the bill on due date, the property in bill passes to the bank & eventual collection on due date is receipt by bank. In such cases, net payment by bank to supplier is in the nature of price paid for the bill and no tax is to be deducted at source—Circular No. 65 dt. 2-9-71: 82 ITR (St.) 33.

G. In respect of cumulative deposits, tax is required to be deducted at source every time the interest is credited in the account books of the payer and is not to be postponed till the maturity of deposit—Circular No. 643 dt. 22-1-93: 200 ITR (St.) 181.

H. The difference between the issue price and the face value of the Commercial Papers and the Certificates of Deposits is to be treated as 'discount allowed' and not 'as interest paid' and hence no deduction of tax at source is to be made u/s. 194A—Circular No. 647 dt. 22-3-93: 200 ITR (St.) 230.

5. FROM WINNINGS FROM LOTTERY OR CROSSWORD PUZZLE (SEC. 194B), WINNINGS FROM HORSE RACES (SEC. 194BB) & COMMISSION, ETC. ON SALE OF LOTTERY TICKETS (SEC. 194G), DURING THE FINANCIAL YEAR:

<i>Financial year</i>	<i>Circular No.</i>	<i>Date</i>	<i>Refer</i>
1993-94	661	16-9-93	204 ITR (St.) 12.
1992-93	631	20-8-92	197 ITR (St.) 411.
1991-92	616	22-11-91	192 ITR (St.) 273.
1990-91	569	27-7-90	184 ITR (St.) 194.
1989-90	536	6-7-89	178 ITR (St.) 62.

A. Prizes awarded to the agents under the scheme of "lucky dip draws" is liable to tax at source—Circular No. 264 dt. 11-2-80: 124 ITR (St.) 1.

B. Winnings from horse races—Amendments to Income-tax Rules, 1962—Explanatory Notes—Circular No. 241 dt. 1-6-78: 117 ITR (St.) 44.

6. PAYMENTS TO CONTRACTORS AND SUB-CONTRACTORS U/S. 194C:

A. Deduction of tax at source u/s. 194C—Instruction regarding—Circular Nos. 95 dt. 15-11-72: 86 ITR (St.) 84; 114 dt. 21-6-73: 90 ITR (St.) 22; 295 dt. 27-4-81: 130 ITR (St.) 6; 613 dt. 14-11-91: 192 ITR (St.) 254; 632 dt. 20-8-92: 197 ITR (St.) 416 and 681 dt. 8-3-94 [For gist of this circular, refer cover page No. 3].

B. Deduction of tax at source from the hire charges paid to the bus owners for the hire of buses—Clarifications regarding—Circular No. 558 dt. 28-3-80: 183 ITR (St.) 158.

C. Deduction of tax at source u/s. 194C—Levy of surcharge—Circular No. 505 dt. 19-2-88: 171 ITR (St.) 8 & 539 dt. 13-7-89: 179 ITR (St.) 24.

II. CIRCULARS ON DEDUCTION OF TAX AT SOURCE/COLLECTION AT SOURCE UNDER CHAPTER XVII OF THE INCOME-TAX ACT, 1961 (Contd.):

- D. Provisions of section 194C are not attracted in the case of payments made in respect of works executed under the National Rural Employment Programme & Rural Landless Employment Guarantee Programme—Circular No. 502 dt. 27-1-88: 170 ITR (St.) 206.
- E. Deduction for payments to contractors and sub-contractors in bidi manufacturing industry—Clarification regarding—Circular No. 433 dt. 25-9-85: 157 ITR (St.) 27 & 487 dt. 8-6-87: 166 ITR (St.) 137.
- F. The provisions of section 194C are applicable to all types of contracts for carrying out any work, such as transport contracts, service contracts, labour contracts, material contracts as well as works contracts, etc.—Circular No. 666 dt. 8-10-93: 204 ITR (St.) 40.

7. INSURANCE COMMISSION DURING THE FINANCIAL YEAR, U/S. 194D:

Financial year	Circular No.	Date	Refer
1993-94	656	26-8-93	203 ITR (St.) 100.
1992-93	633	20-8-92	197 ITR (St.) 165.
1991-92	614	14-11-91	192 ITR (St.) 258.
1990-91	570	27-7-90	185 ITR (St.) 5.
1989-90	540	24-7-89	179 ITR (St.) 25.

Deduction of income-tax @ source u/s. 194D—Instructions regarding—Circular No. 112 dt. 31-5-73: 93 ITR (St.) 33; 120 dt. 8-10-73: 93 ITR (St.) 1, and 121 dt. 8-10-73: 92 ITR (St.) 5.

8. INSTRUCTIONS REGARDING DEDUCTION OF TAX AT SOURCE FROM:

- (i) withdrawals of deposits made in National Savings Scheme, 1987—Sec. 194EE—Circular No. 618 dt. 22-11-91: 192 ITR (St.) 320.
 - (ii) payments made by way of commission (other than insurance commission) or brokerage—Circular No. 619 dt. 4-12-91: 193 ITR (St.) 17.
- A. Deduction of tax at source u/s. 195 from payments to non-residents—Circular No. 152 dt. 27-11-74: 98 ITR (St.) 19; 155 dt. 21-12-74: 98 ITR (St.) 110; 168 dt. 9-6-75: 101 ITR (St.) 48; and 370 dt. 3-10-83: 145 ITR (St.) 10.
- B. Clarification regarding section 197A of the Income-tax Act read with Rule 29C of the Income-tax Rules—Circular No. 351 dt. 26-11-82: 140 ITR (St.) 20.
- C. Deduction of tax at source from payments in respect of systems software—Announcement made by the Finance Minister in Lok Sabha on 7-9-90—Regarding—Circular No. 588 dt. 2-1-91: 187 ITR (St.) 63.
- D. Deduction of tax at source—Payment in excess of the amount actually deducted/deductible from salaries and other types of payments under sections 192 to 194D—Refund/adjustment of—Circular No. 285 dt. 21-10-1980: 130 ITR (St.) 1.
- E. Deduction of tax at source—Form of application for allotment of Tax deduction Account Number—Form No. 49B—Regarding—Circular No. 497 dt. 9-10-87: 169 ITR (St.) 54.
- F. Issue of certificate for tax deducted at source under various provisions of the Income-tax Act—
- (1) Form No. 16B discontinued w.e.f. 1-7-1993. TDS certificates which were required to be issued under Form No. 16B, is to be issued in Form No. 16A w.e.f. 1-7-1993 on tax deductor's own stationery. Tax deductors can utilise unused Form No. 16B by scoring out the serial no. and writing "16A" in place of "16B", till stocks last with them—Circular No. 664 dt. 29-9-93: 204 ITR (St.) 35.
 - (2) Replacement of Form No. 16 with new Form No. 16, 16A & 16B after 28-2-91 (but before 1-7-93)—Circular No. 597 dt. 27-3-91: 189 ITR (St.) 32—Acceptance of old unified Form No. 16 after 28-2-91 will also be accepted by the Assessing Officer in lieu of Form No. 16B for the assessment year 1991-92—Circular No. 605 dt. 12-6-91: 190 ITR (St.) 12—Acceptance of TDS certificates in old unified Form No. 16 in lieu of new Form No. 16B till 31-12-91 and 31-3-92—Circular No. 607 dt. 4-7-91: 190 ITR (St.) 88 and 625 dt. 12-2-92: 194 ITR (St.) 208.
 - (3) Unified Form No. 16—Effective from 1-4-89—Regarding—Circular No. 529 dt. 13-2-89: 176 ITR (St.) 239 and 555 dt. 22-2-90: 182 ITR (St.) 143.

9. COLLECTION OF TAX AT SOURCE U/S. 206C IN RESPECT OF PROFITS AND GAINS FROM BUSINESS OF TRADING IN ALCOHOLIC LIQUOR, FOREST PRODUCE, ETC. DURING FINANCIAL YEAR:

Financial year	Circular No.	Date	Refer
1993-94	660	15-9-93	204 ITR (St.) 19.
1992-93	634	20-8-92	197 ITR (St.) 170.
1991-92	620	6-12-91	193 ITR (St.) 19.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961:

Gist of circular	Circular No.	Refer
A. TRUSTS & ASSOCIATIONS:		
1. If a trust accumulates a larger income than the limits prescribed for exemption u/s. 11(1)(a), what would be chargeable to tax is the excess over the exempted limit, and not the entire accumulation including the exempted portion. However, investment is to be made of the entire unspent balance including the exempted portion	29 Dt. 23-08-69	74 ITR (St.) 7.
2. Investment in "Indira Vikas Patra" & "Kisan Vikas Patra" are approved form of investment u/s. 11(5)(i)	566 Dt. 17-07-90	185 ITR (St.) 1.
3. Condonation of delay in filing application in Form No. 10 in respect of accumulation of income u/s. 11(2) read with Rule 17 of I.T. Rules — Commissioner of Income-tax is authorised to admit belated applications	273 Dt. 3-06-80	126 ITR (St.) 27.
4. If a trust which has invested its funds in any concern in which the author, etc. are substantially interested does not divest itself of such investment before 1-1-1971, it will forfeit exemption from tax on its entire income if the investment in such concern exceeds 5% of the capital of the concern. Where the investment does not exceed 5% of the capital of the concern, however, the exemption from tax will be forfeited only in relation to the income from such investment and not in relation to the remainder of its income	51 Dt. 23-12-70	79 ITR (St.) 72.
5. Repayment of the loan originally taken to fulfil one of the objects of trust will amount to application of the income for charitable and religious purposes. If, objects of the trust is advancement of education and granting of scholarship loans as only one of the activities carried on for fulfilment of the objectives of the trust, granting of loans, even interest-bearing, will amount to application of income for charitable purposes. As and when the loan is returned, it will be treated as income of that year	100 Dt. 24-01-72	88 ITR (St.) 66.
6. From 17-10-89, application for exemption u/s. 10, 11 & 12 of the Act is to be made to the Directors of Income-tax (Exemptions), if the concerned institution is assessable in Delhi, Bombay, Calcutta or Madras	584 Dt. 13-11-90	186 ITR (St.) 155.
7. Filing the Form No. 10B and its annexure—an auditor can accept as correct the list of persons covered by section 13(3) as given by the managing trustee, etc.	143 Dt. 20-08-74	96 ITR (St.) 48.
8. Assessment of discretionary trusts u/s. 164/166—Correct procedure—At the initial assessment, I.T.O./A.O. should opt to assess either the trust or the beneficiaries. Once the option is exercised, the same income cannot be taxed in the other person's hands (the beneficiary or the trustee, as the case may be)	157 Dt. 26-12-74	98 ITR (St.) 41.
9. Requirements of section 13(1)(d) read with section 11(1)(a)—Clarification regarding	335 Dt. 13-04-82	137 ITR (St.) 2.
10. An association/institution engaged in the promotion of sports and games can claim exemption u/s. 11, even if it is not approved u/s. 10(23)	395 Dt. 24-09-84	150 ITR (St.) 74.
11. In the cases of registered societies, trade & professional association, social and sports clubs, charitable & religious trusts, etc., where the members or trustees are not entitled to any share in the income of the association of persons, the provisions of section 167A/167B will not be attracted and, accordingly, tax will be payable in such cases at the rate ordinarily applicable to the total income of an A.O.P. and not at the maximum marginal rate	320 Dt. 11-01-82	134 ITR (St.) 166.
12. The income of a trust declared by any person by will, where such trust is the only trust so declared by him, will continue to be charged to tax in the manner prescribed in the 1st proviso to section 164(1), as hitherto and section 167B will not be applicable in such cases. Similarly, other cases covered by the 1st proviso to section 164(1) & 164(3) would also not attract the provisions of section 167B	577 Dt. 4-09-90	185 ITR (St.) 49.
B. CO-OPERATIVE SOCIETY:		
1. Rebate or bonus (which is in the nature of deferred discount) passed on by the consumer co-operative stores to their members on the value of purchases, made by them, should be allowed as a deduction in computing the business income of such a society	117 Dt. 22-08-73	94 ITR (St.) 1.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 [Contd.]:

<i>Gist of circular</i>	<i>Circular No.</i>	<i>Refer</i>
2. The provisions of section 80P will also be applicable in respect of Regional Rural Banks	319 Dt. 11-01-82	134 ITR (St.) 165.
C. EXCLUSIONS (EXEMPTIONS):		
1. Income accruing or arising to residents of Ladakh District in Jammu & Kashmir—Exempt u/s. 10(26A)	67 Dt. 23-09-71	82 ITR (St.) 43.
2. Clarification regarding exemption u/s. 10(15)(ii) in the event of death of one of the joint holders of the certificates—surviving joint holder will continue to get exemption from tax on interest received upto a maximum amount permitted to be held in the case of joint holdings	102 Dt. 3-02-73	88 ITR (St.) 75.
3. Investments in P.O. Savings a/c., etc. referred to in section 10(15) (ii) made by assessee in the name of his wife and minor children is also exempt in the hands of assessee	218 Dt. 30-04-77	109 ITR (St.) 75.
4. Interest on Post Office Savings (Cumulative Time Deposits) Rules, 1959, is exempt u/s. 10(15)(ii)	410 Dt. 12-02-85	152 ITR (St.) 202.
5. Gifts of a purely personal nature will not be chargeable to income-tax as casual income, except when they can be regarded as an addition to the salary or when they arise from the exercise of a profession or vocation—Sec. 10(3).	158 Dt. 27-12-74	98 ITR (St.) 97.
6. Clarification regarding extent of exemption u/s. 10(10A)(i) in respect of commutation of pension—Members of the civil services of the Union ..	286 Dt. 17-11-80	127 ITR (St.) 6.
7. Sports associations & institutions approved u/s. 10(23)—Clarification regarding	398 Dt. 17-10-84	150 ITR (St.) 74.
8. Form Nos. 55 & 56 for grant of exemption u/s. 10(23) and 10(23C)(iv) & (v)—Clarification regarding	557 Dt. 19-03-90	189 ITR (St.) 93.
9. Clarification regarding exemption u/s. 10(23)(iv)/(v) in respect of donations in kind	580 Dt. 14-09-90	185 ITR (St.) 117.
10. Awards received by a non-professional sportsman will not be liable to tax in his hands as it would be in the nature of gift	447 Dt. 22-01-86	157 ITR (St.) 52.
11. The benefit of exemption u/s. 10(4) (ii) will be available to joint account holders of the Non-resident (External) Accounts	592 Dt. 4-02-91	188 ITR (St.) 7.
12. It is clarified that, by virtue of notification dt. 17-11-87, 9% Relief Bonds, 1987 shall be deemed to have been notified for the purpose of exemption u/s. 10(15) (iic) of Income-tax Act, u/s. 5(1)(xvii) of the Wealth-tax Act and u/s. 5(1)(iiid) of the Gift-tax Act	673 Dt. 21-12-93	205 ITR (St.) 47.
D. SALARY INCOME:		
Leave salary:		
1. Cash equivalent of leave salary payable on the death of a Government servant to his legal heirs is not liable to income-tax. This is because the receipt in the hands of the family is not in the nature of one from an employer to an employee	309 Dt. 3-07-81	132 ITR (St.) 3.
2. Amounts received on encashment of leave salary due to an employee either in service or upto assessment year 1982-83, at the time of his retirement, are taxable as part of his salary	312 Dt. 31-08-81	132 ITR (St.) 4.
3. The relief u/s. 89(1) read with rule 21A is admissible in respect of encashment of leave salary by an employee when in service	431 Dt. 12-09-85	156 ITR (St.) 82.
Commutation of pension:		
Received by Judges of the Supreme Court and the High Courts is exempt u/s. 10(10A)(i)	623 Dt. 6-01-92	193 ITR (St.) 109.
House rent allowance (HRA):		
For the purposes of calculating HRA that would be exempt under rule 2A, the term "salary" includes "dearness pay" also in the case of Government servants	90 Dt. 26-06-72	85 ITR (St.) 34.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 [Contd.]

<i>Gist of circular</i>	<i>Circular No.</i>	<i>Refer</i>
Voluntary retirement payments:		
Clarification of the queries in respect of the guidelines contained in new rule 2BA for the purposes of section 10(10C) as amended by the Finance Act, 1992	640 Dt. 26-11-92	199 ITR (St.) 2.
Perquisites:		
1. The payment of salary to a gardener cannot be regarded as a perquisite. However, the expenses incurred by way of maintenance of a gardener may be taken into account for the purposes of estimating value of rent free accommodation provided by the employer	122 Dt. 19-10-73	94 ITR (St.) 1.
2. Reimbursement (by the employer) of wages of sweeper, gardener or watchman engaged by the employee is fully taxable as income from "salaries" in the hands of the employee	662 Dt. 27-09-93	204 ITR (St.) 34.
3. Explanatory note on Rule 3 relating valuation of perquisites—As amended by the Income-tax (Amendment) Rules, 1974 and the Income-tax (Third Amendment) Rules, 1974	130 Dt. 16-03-74 150 Dt. 19-11-74	94 ITR (St.) 17. 98 ITR (St.) 17.
4. In the case of hotel employees, valuation of perquisites in the form of free food will have to be determined in terms of Rule 3(g)	311 Dt. 24-08-81	132 ITR (St.) 9.
5. From assessment year 1984-85 and onwards, rent free accommodation provided by an employer to an employee at Bombay, Calcutta, Delhi and Madras, the perquisite value will be calculated by adding the excess over 60% of the salary of the employee	374 Dt. 14-12-83	146 ITR (St.) 60.
6. Valuation of perquisites in the form of reimbursement of medical expenses/provision of medical facilities by an employer—in relation to assessment year 1991-92 & subsequent years—Circular No. 376 [146 ITR (St.) 62], 445 [157 ITR (St.) 49], 481 [165 ITR (St.) 225], and all other instructions on the subject have been superseded—List of hospitals recognised under Central Government Health Scheme [Note: From assessment year 1991-92 & onwards perquisite in the form of medical expenses, etc. is to be determined as per proviso to section 17(2)]	603 Dt. 6-06-91	190 ITR (St.) 6.
7. Reimbursement of tuition fees is not exempt from tax [Refer Para 4(viii) of the circular]	629 Dt. 31-07-92	197 ITR (St.) 65.
General:		
1. For the purpose of calculating tax to be deducted at source, deduction u/s. 80CCA is to be allowed in respect of deposits in:		
A — National Savings Scheme, 1987	501 Dt. 20-01-88	170 ITR (St.) 241.
B — Annuity plans of L.I.C. i.e. 'Jeevan Dhara' & 'Jeevan Akshay' policy	527 Dt. 9-12-88	175 ITR (St.) 3.
2. Recognised provident fund—gratuity fund—Rules 67A & 101A of I.T. Rules—Instructions regarding	110 Dt. 13-04-73	89 ITR (St.) 142.
3. Notification fixing the rate of interest issued under rule 6 of Part A of the Fourth Schedule will have only prospective effect	188 Dt. 16-01-76	102 ITR (St.) 89.
4. Clarification regarding winding up of superannuation fund.	595 Dt. 5-03-91	188 ITR (St.) 87.
5. Instructions regarding Approval of superannuation fund under Part B of the 4th Schedule—Rule 89 of I.T. Rules	403 Dt. 5-12-84 500 Dt. 9-12-87	151 ITR (St.) 46. 169 ITR (St.) 60.
6. Employer should require the employee to obtain from the concerned I.T.O. a certificate u/s. 197(1) authorising no deduction or deduction at such lower rates as may be prescribed in the said certificate	147 Dt. 28-10-74	98 ITR (St.) 20.
7. Accrued interest on NSC VI/VIII Issues qualifies for rebate u/s. 88 [Vide para 6(vi)(b) of the circular]	654 Dt. 22-07-93	203 ITR (St.) 24.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 [Contd.]:

Gist of circular	Circular No.	Refer
8. Allowances like uniform/attire, books/periodicals, entertainment, furnishing, etc. will be covered u/s. 2(24) (iiia). Similarly allowances like dearness allowance, city compensatory allowance, etc. will be covered u/s. 2(24)(iiib). Withdrawals made by the employee from the National Savings Scheme or the amount received on account of deferred annuity plans of L.I.C. (i.e. 'Jeevan Dhara' & 'Jeevan Akshay' policy) is to be included in the employee's income while deducting tax at source [Refer para 3 & 5(viii) of the circular]	537 Dt. 12-07-89	179 ITR (St.) 1.
E. PROPERTY INCOME:		
Interest on house building advance taken by Central Govt. servants under the House Building Advance Rules can be allowed as deduction u/s. 24(1)(vi) on accrual basis even though such interest is payable later	363 Dt. 24-06-83	143 ITR (St.) 2.
F. BUSINESS/PROFESSIONAL INCOME:		
1. Advertisement:		
A. No distinction need be drawn between expenditure on advertisement in souvenirs & other types of advertisements. Claims in respect of expenditure on advertisement in souvenirs may be allowed if condition laid down in Rule 6B are fulfilled & there is evidence that the expenditure has been incurred	200 Dt. 28-06-76	104 ITR (St.) 50.
B. If advertisements have been released in more than one souvenir published by the same organisation, deduction in respect of such publicity is admissible subject to conditions under sec. 37(3) read with Rule 6B	203 Dt. 16-07-76	104 ITR (St.) 52.
2. Depreciation:		
A. Where tour operators/travel agents use foreign motor cars, owned by them, for providing transportation services to tourists, depreciation will be allowed on such cars. "Motor vans" are akin to "motor lorries" or "motor buses" and, therefore, higher rate of depreciation [Refer item III (2)(ii) on page 98] will be allowed on motor vans also, if they are used for providing transport services to tourists	609 Dt. 29-07-91	191 ITR (St.) 1.
B. Higher rate of depreciation [Refer item III(2)(ii) on page 98] will also be admissible on motor lorries used in the assessee's business of transportation of goods on hire but not to its user in some non-hiring business of the assessee	652 Dt. 14-06-93	202 ITR (St.) 55.
C. "Motor vans" are more akin to "Motor Lorries" & "Motor Buses" than to "Motor Cars", depreciation on "Motor vans" may be allowed at the rate applicable to "Motor Lorries" & "Motor Buses"	315 Dt. 24-09-81	132 ITR (St.) 11.
D. Section 32(1)(iii)—Meaning of "actually written off"—Clarification regarding—Terminal allowance	212 Dt. 26-02-77	108 ITR (St.) 3.
E. "10% Central Outright Grant of Subsidy Scheme, 1971" for industrial units to be set up in certain backward districts/areas would constitute capital receipt in the hands of the recipient [Vide Circular No. 142 Dt. 1-8-74: 95 ITR (St.) 151]. The amount of such subsidy will be deducted from the cost of assets for the purposes of allowing depreciation & development rebate on such assets	190 Dt. 1-03-76	109 ITR (St.) 115.
3. Development allowance u/s. 33A:		
Instruction regarding creation of reserve	325 Dt. 3-02-82	135 ITR (St.) 5.
4. Investment allowance u/s. 32A:		
A. Creation of reserve by Tea companies	324 Dt. 3-02-82	135 ITR (St.) 4.
B. The condition for creation of requisite reserve would stand satisfied if the sum total of the reserve credited either in the year of installation or use or in the subsequent year(s) is equal to requisite amount of 75% of the actual allowance of "Investment Allowance" in any year or years	305 Dt. 12-06-81	131 ITR (St.) 72.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 [Contd.]

Gist of circular	Circular No.	Refer
C. All items of plant & machinery as on the last day of the relevant previous year other than tools, jigs, dies & moulds are to be taken into consideration and their aggregate value will be computed for the purpose of ascertaining whether the assessee is a "small-scale industrial undertaking"	314 Dt. 17-09-81	132 ITR (St.) 10.
5. Gratuity:		
Provision towards service gratuity to employees—Allowance regarding ..	146 Dt. 26-09-74	101 ITR (St.) 46.
6. Entertainment expenditure u/s. 37(2A):		
A. The percentage limits mentioned in sec. 37(2A) are to be calculated before allowing the deduction in respect of development rebate, development allowance, investment allowance and entertainment expenditure	247 Dt. 21-10-78	116 ITR (St.) 27.
B. From assessment year 1993-94 & onwards, expenditure on provision of food or beverages by an employer to employees whose salary does not exceed Rs. 24,000 [refer item (c) on page 70] will not be treated as entertainment expenditure within the meaning of the Explanation under section 37(2) if such food or beverages are provided during working hours even in places other than the place of work, provided the expenditure is genuine and reasonable	644 Dt. 15-03-93	200 ITR (St.) 226.
7. Disallowance of expenditure in respect of which payment is made otherwise than by a crossed cheque or DD—Section 40A(3):		
A. Increased monetary ceiling limit of Rs. 10,000 will apply in respect of payments made in previous year relevant to assessment year 1989-90 and subsequent years	522 Dt. 18-08-88	173 ITR (St.) 44.
B. Any payment for business expenditure made otherwise than by crossed cheque/DD during the period when the cheque clearing operations are suspended or other similar circumstances [refer page 112] will not be disallowed under the provisions of section 40A(3) provided the assessee furnishes evidence as to the genuineness of the payment and identity of the payee	250 Dt. 11-01-79	117 ITR (St.) 48.
C. Clarification regarding Rule 6DD(j)—For gist, refer item (iii) on pp. 112-113	220 Dt. 31-05-77	108 ITR (St.) 8.
D. Section 40A(3) will not apply to payments towards the purchase price of capital assets such as plant & machinery not meant for re-sale ..	34 Dt. 5-03-70	76 ITR (St.) 13.
E. Banks may return the paid cheques to their constituents after obtaining formal undertaking from them to the effect that they shall retain the returned paid cheques for a period of 8 years & produce them before I.T.O. whenever called upon to do so	33 Dt. 29-12-69	75 ITR (St.) 5.
8. Other Expenditure:		
A. Expenditure incurred by business concerns on civil defence measures as specified in the Circular No. 10/22/65-IT(AI), Dt. 24-5-65, even when there is no emergency, would be allowable to the extent found reasonable, in the manner indicated in the circular	316 Dt. 30-09-81	132 ITR (St.) 11.
B. In view of the statutory obligation cast on the employers under the provisions of the Apprentices Act, 1961, recurring expenses incurred on imparting of the basic training to the apprentice under the said Act will be allowable as a deduction u/s. 37(1) of the I.T. Act	192 Dt. 10-03-76	109 ITR (St.) 116.
C. The amount paid towards security deposit for deposit for Telex connection may be treated as a revenue expenditure and allowed as deduction when Telex is installed. However, when Telex connection is finally closed, the deposit so refunded shall be treated as income of the year in which it is refunded	420 Dt. 4-06-85	155 ITR (St.) 43.
D. Deposit made under the "Own Your Telephone Scheme" will be allowed in the year of payment and in case the telephone is not installed and money is paid back, it will be chargeable to tax u/s. 11(1)	Inst. No. 204/70/75- IT(AI) Dt. 10-05-76.	

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 [Contd.]:

<i>Gist of circular</i>	<i>Circular No.</i>	<i>Refer</i>
E. Deposit made under the "Tatkal Telephone Deposit Scheme" will be allowed as deduction in the year of payment if the assessee makes such a claim. However, as and when any part of the amount is refunded on surrender of telephone or otherwise, the refunded amount shall be treated as income of the year in which the amount is so refunded ..	671 Dt. 27-10-93	204 ITR (St.) 156.
F. Professional tax paid by a person carrying on business or profession is allowable as revenue expenditure u/s. 37(1)	16 Dt. 18-09-69	1970 ITR Page LXXXIII.
G. Treatment of subsidy granted by the State Government to producers for the production of feature films in regional language	541 Dt. 25-07-89 544 Dt. 15-09-89	179 ITR (St.) 30. 180 ITR (St.) 29.
H. Instruction regarding amortisation of cost of production of films and acquiring of distributing rights—Also refer Circular No. 92 dt. 18-9-72: 86 ITR (St.) 29 & 30 dt. 9-4-69: 74 ITR (St.) 9	154 Dt. 5-12-74	98 ITR (St.) 38.
I. Section 37(1)/57(iii)—For assessment year 1993-94 and onwards, interest on delayed payments for goods or services made by a buyer, to an ancillary or small-scale industrial undertaking is to be disallowed	651 Dt. 11-06-93	202 ITR (St.) 54.
9. Miscellaneous:		
A. Section 43B—If the State Government make an amendment in the Sales-tax Act or issue notification through Government orders to the effect that the sales-tax deferred under the scheme (i.e. sales-tax deferral scheme) shall be treated as actually paid, such a deeming provision will meet the requirements of sec. 43B. The Board have decided that where amendments are made in the sales-tax laws or notification is issued on these lines, the statutory liability shall be treated to have been discharged for the purposes of section 43B of the Act	496 Dt. 25-09-87 674 Dt. 29-12-93	169 ITR (St.) 53. 205 ITR (St.) 119.
B. Sec. 44AB—Tax audit—		
(i) Tax auditor would have to carry out the audit u/s. 44AB in respect of the period covered by the previous year i.e. relevant financial year	561 Dt. 22-05-90	184 ITR (St.) 2.
(ii) As far as "Kachha arathias" are concerned, turnover does not include the sales effected on behalf of the principals and only the gross commission has to be considered for the purposes of section 44AB	452 Dt. 17-03-86	158 ITR (St.) 195.
C. Section 44AC—Special provisions for computing profits and gains from the business of trading in liquor, forest produce & timber—"Purchase price" shall include excise duty paid or payable by the buyer. It shall also include "Nirgam Mulya" or issue price which is paid by a buyer in the State of Uttar Pradesh	585 Dt. 27-11-90	186 ITR (St.) 156.
D. Section 44BBB—An approval issued by the Department of Power in the Ministry of Energy shall be deemed to be the approval of the Central Government for turnkey power project for the purposes of sec. 44BBB	552 Dt. 9-02-90	182 ITR (St.) 143.
E. Section 44C of the I.T. Act—Deduction of Head Office expenditure in case of non-residents—Treatment of technical expenses when being remitted to Head Office of a non-resident enterprise by its branch office in India—Guidelines	649 Dt. 31-03-93	200 ITR (St.) 230.
F. Section 44D—Restrictions placed by section 44D will apply for the entire previous year relevant to assessment year 1977-78 and onwards	282 Dt. 22-09-80	127 ITR (St.) 4.
G. Income from tea grown and sold in India will continue to be computed in terms of rule 8 of I.T. Rules	310 Dt. 29-07-81	132 ITR (St.) 5.
H. Allowability of expenditure incurred on or after 1-3-1984 by sugar factories in case of development programmes—Effect of withdrawal of agricultural development allowance u/s. 35C, by the Finance Act, 1984	578 Dt. 12-09-90	185 ITR (St.) 106.
I. Certain clarifications regarding the new simplified procedure for small businessmen as per the provisions of New Chapter XII-C [Sections 115K to 115N]	641 Dt. 9-12-92	199 ITR (St.) 68.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 [Contd.]:

Gist of circular	Circular No.	Refer
G. CAPITAL GAINS:		
1. Exemptions:		
A. An assessee shall be entitled to exemption u/s. 54 even in respect of self-occupied residential house annual value of which is 'nil' under the head "Income from house property" by virtue of section 23(2) read with section 24	538 Dt. 13-07-89	179 ITR (St.) 23.
B. If the amount of capital gain for the purposes of section 54, and the net consideration for the purposes of section 54F, is appropriated towards purchase of a plot of land and also towards construction of a residential house thereon, the aggregate cost (including cost of land) should be considered for determining the quantum of deduction u/s. 54/54F, provided that the acquisition of plot of land and also the construction thereon are completed within the period specified in these sections ..	667 Dt. 18-10-93	204 ITR (St.) 103.
C. In respect of flats allotted under Self-financing Scheme of the Delhi Development Authority, the allottee gets title to the property on the issuance of the allotment letter. The Board has clarified that "in such an event, allotment of flats under the said scheme shall be treated as cases of construction for the purpose of Section—54/54F"	471 Dt. 15-10-86	162 ITR (St.) 41.
If the terms of the schemes of allotment & construction of flats/houses by the co-operative societies/other institutions are similar to those mentioned in para 2 of Board's Circular No. 471, dt. 15-10-86 (refer above), such cases may also be treated as cases of construction for the purposes of section 54/54F	672 Dt. 16-12-93	205 ITR (St.) 47.
D. Capital asset converted into stock-in-trade—For the purpose of exemption u/s. 54E the time of 6 months will be counted from the date of conversion into stock-in-trade and not from the date of its sale as stock-in-trade	560 Dt. 18-05-90	184 ITR (St.) 1.
E. If the assessee invests the earnest money or the advance received in specified assets before the date of transfer of asset, the amount so invested will qualify for exemption u/s. 54E	359 Dt. 10-05-83	143 ITR (St.) 2.
2. General:		
A. National Defence Gold Bonds, 1980—Transfer of gold after redemption—For the purposes of the computation of capital gains, cost of acquisition of gold would be the market value of the bonds on the date of redemption	415 Dt. 14-03-85	152 ITR (St.) 205.
B. In cases where sale proceeds of the asset transferred have not been received by the assessee for any reason, the I.T.O./A.O. may not formally extend time for payment u/s. 140A & 220 but he may not impose penalty for non-payment of tax	119 Dt. 26-09-73	92 ITR (St.) 4.
H. INCOME FROM OTHER SOURCES:		
A. Deferred dividend is taxable in the previous year in which it is so declared	210 Dt. 25-02-77	108 ITR (St.) 2.
B. Dividend received from United Kingdom—Gross dividend and not the net dividend is to be taxed in India	369 Dt. 17-09-83	145 ITR (St.) 9.
C. 1. Interest on cumulative deposit schemes of:		
(a) private sector undertaking should be taxed on accrual basis annually	409 Dt. 12-02-85	153 ITR (St.) 4.
(b) Government undertakings should be taxed on accrual basis annually	371 Dt. 21-11-83	146 ITR (St.) 9.
2. Interest on reinvestment deposit schemes/recurring deposit schemes/cash certificates of banks etc.—Interest for each year calculated at the stipulated rate will be taxed as income accrued in that year with a right to claim deduction u/s. 80L	243 Dt. 22-06-78	114 ITR (St.) 29.
3. Interest on National Deposit Scheme is taxable in the year of accrual	406 Dt. 21-01-85	152 ITR (St.) 200.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 [Contd.]:

Gist of circular	Circular No.	Refer
D. Lump sum payment made gratuitously or by way of compensation or otherwise to widow/legal heirs of an employee, who dies while in service, will not be taxable under the Act	573 Dt. 21-08-90	185 ITR (St.) 31.
E. "Foreign Exchange Entitlement Fee" under the Ceylon Exchange Control Laws is not deductible expenses u/s. 57(iii)	156 Dt. 23-12-74	98 ITR (St.) 96.
F. Commission earned by insurance agents of Life Insurance Corporation—Allowance of expenditure—For gist of this circular, refer sub-item (A) of item (28) on page 108	648 Dt. 30-03-93	201 ITR (St.) 4.
G. Deduction for expenses on commission payable to agents of Standardised Agency System/P.O. Time Deposits/Unit Trust of India/Notified mutual funds u/s. 10 (23D)—For gist of this circular, refer sub-items (b) & (c) of item (28) on page 109	594 Dt. 27-02-91	188 ITR (St.) 105.
	677 Dt. 28-01-94	205 ITR (St.) 331.
I. DEDUCTIONS FROM GROSS TOTAL INCOME/REBATE FROM INCOME-TAX:		
A. Under section 80C:		
(a) The premia paid on the life insurance policies on lives of adult children, including a married daughter, will be eligible for deduction u/s. 80C & rebate u/s. 88	574 Dt. 22-08-90	185 ITR (St.) 31.
(b) Contribution to following schemes will be eligible for deduction u/s. 80C subject to limit prescribed u/s. 80C(4):		
1. Karnataka State Employees' Group Insurance Scheme, 1981 ..	518 Dt. 9-08-88	173 ITR (St.) 58.
2. Special Frontier Force Group Insurance Scheme	404 Dt. 15-01-85	151 ITR (St.) 47.
3. Maharashtra State Government Employees Group Insurance Scheme, 1982	337 Dt. 4-05-82	137 ITR (St.) 4.
4. Central Government Employees' Insurance Scheme	233 Dt. 5-12-77	117 ITR (St.) 11.
5. Family Pension Fund established by a scheme under the Employees' Provident Fund and Family Pension Fund Act, 1952 ..	194 Dt. 25-03-76	109 ITR (St.) 116.
(c) Clarification in respect of contributions made to National Savings Certificates VI & VII Issues—Accrued interest on NSC VI Issue eligible for deduction u/s. 80C	405 Dt. 15-01-85	151 ITR (St.) 48.
Accrued interest on NSC VI/VIII Issues also eligible for rebate u/s. 88—Vide Para 6(vi)(b)	654 Dt. 22-07-93	203 ITR (St.) 24.
(d) Repayment of loans taken for the purchase or construction of a residential house property, the construction of which is not completed by the end of the previous year relevant to assessment year—no deduction will be admissible in that assessment year	498 Dt. 4-11-87	169 ITR (St.) 54.
B. Under section 80CCA:		
(a) Amount received under National Savings Scheme, 1987, 'Jeevan Dhara' & 'Jeevan Akshay' policies of L.I.C. by the legal heirs of an assessee after his death will not be chargeable to income-tax u/s. 80CCA(2)	532 Dt. 17-03-89	176 ITR (St.) 327.
(b) Amounts paid to an assessee on closure of account under the National Deposit Scheme, 1987 on the expiry of 3 years is taxable u/s. 80CCA(2)	534 Dt. 7-04-89	177 ITR (St.) 33.
C. Under section 80DD:		
Clarification in relation to assessment year 1991-92 in view of rule 11A which was introduced only on 27-1-92—Certain eligible assessee may not have claimed the deduction due to absence of rule at the relevant time when the return for assessment year 1991-92 was due—where assessment has already been made, or intimation u/s. 143(1)(a) has already been issued, assessee can file rectification application u/s. 154/revision petition u/s. 264. Where no assessment/intimation u/s. 143(1)(a) has so far been served, assessee can file revised return for limited purpose of claiming deduction u/s. 80DD till 31-12-93		
	653 Dt. 15-06-93	202 ITR (St.) 56.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 [Contd.]:

Gist of circular	Circular No.	Refer
D. Under section 80G:		
Donations to Prime Minister's National Relief Fund—Money order coupons duly receipted may be treated as sufficient evidence of the donations	178 Dt. 23-09-75	101 ITR (St.) 128.
E. Under section 80GG:		
The total income would be the total income of the assessee after allowing all deductions except the one provided u/s. 80GG itself	327 Dt. 8-02-82	135 ITR (St.) 6.
F. Under section 80HH:		
(a) "Backward Area"—All areas specified in the Eighth Schedule will continue to enjoy benefit of section 80HH in respect of an industrial undertaking which begins to manufacture or produce articles before 10-9-86 or in respect of business of a hotel which starts functioning before 10-9-86	484 Dt. 1-05-87	166 ITR (St.) 120.
(b) If the process involved is not merely conversion of standing trees into fire wood but also manufacture of new saleable commodities, the benefit of deduction u/s. 80J & 80HH would be available	329 Dt. 22-02-82	135 ITR (St.) 7.
G. Under section 80HHB:		
The consideration received in non-convertible rupees from bilateral account countries will be treated at par with consideration received in any other convertible foreign exchange [See also item Q.(a) on page 312]	563 Dt. 23-05-90	184 ITR (St.) 3.
H. Under section 80HHC:		
(a) In the case of taxpayer engaged in the business of growing and manufacturing tea, deduction u/s. 80HHC is to be allowed after the income chargeable to tax under the head "Profits and gains of business or profession" has been computed under rule 8 of I.T. Rules	600 Dt. 23-05-91	189 ITR (St.) 126.
(b) Examples for allowing deduction u/s. 80HHC as amended by the Finance Act, 1990—CCS & duty draw backs are taxable as revenue receipts for all the years	564 Dt. 5-07-90	184 ITR (St.) 137.
(c) Receipts of sales proceeds in rupees in respect of protocol exports is eligible for deduction u/s. 80HHC	571 Dt. 1-08-90	185 ITR (St.) 9.
(d) The provisions of the proviso to section 80HHC(1), as substituted by the Finance Act, 1985 (w.e.f. 1-4-86), will not be infringed if dividends are distributed by the assessee out of such reserve	562 Dt. 23-05-90	184 ITR (St.) 3.
(d) The provisions of the proviso to section 80HHC(1), as substituted by the Finance Act, 1985 (w.e.f. 1-4-86), will not be infringed if dividends are distributed by the assessee out of such reserve	463 Dt. 11-07-86	160 ITR (St.) 60.
I. Under section 80J:		
Deduction u/s. 80J should not be reduced proportionately with reference to the period for which the business of the undertaking, ship or hotel was not carried on during the relevant previous year	378 Dt. 3-03-84	149 ITR (St.) 1.
J. Under section 80L:		
(a) Income received on units of U.T.I. will also be treated as dividend received from Indian company and hence eligible for additional deduction under 2nd proviso to sec. 80L(1) [upto assessment year 1992-93]	567 Dt. 19-07-90	184 ITR (St.) 164.
(b) Upto assessment year 1992-93, inter-se priority for adjustment to claim deduction u/s. 80L(1) and the provisos thereto will be at the option of the assessee [Refer para 29.8 of the circular]	528 Dt. 16-12-88	176 ITR (St.) 183.
(c) Interest on reinvestment deposit schemes, etc. of banks—Accrued interest eligible for deduction u/s. 80L	243 Dt. 22-06-78	114 ITR (St.) 29.
(d) Interest on deposits with Nationalised banks qualify for deduction u/s. 80L(1)(vi)	64 Dt. 25-08-71	82 ITR (St.) 5.
K. Under section 80M:		
Where a part of the inter-corporate dividend income is utilised for setting off loss under any other head, relief u/s. 80M is to be allowed on the dividend income before such set off subject to overall limit u/s. 80A(2)	58 Dt. 15-04-71	80 ITR (St.) 200.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 [Contd.]:

Gist of circular	Circular No.	Refer
L. Under section 80-O:		
Guidelines for approval of agreements u/s. 80-O—Also refer Circular Nos. 253:126 ITR (St.) 21; & 533:177 ITR (St.) 33	187 Dt. 23-12-75	102 ITR (St.) 83.
M. Under section 80P:		
The provisions of section 80P will also be applicable in respect of Regional Rural Banks	319 Dt. 11-01-82	134 ITR (St.) 165.
N. Under section 80RR:		
Script writer can be regarded as "Playwright" and similarly "director" can be treated as an "artist" for the purposes of section 80RR. However, a producer would not be entitled to deduction u/s. 80RR, because he does not fall under any of the categories mentioned in the said section	675 Dt. 3-01-94	205 ITR (St.) 329.
O. Under section 80RRA:		
Scope of the tax concession under section 80RRA	356 Dt. 17-03-83	142 ITR (St.) 117.
P. Under section 80U:		
(a) Employers would be entitled to give deduction u/s. 80U from the income under the head "Salaries" while deducting tax at source thereon in any financial year on the production of a certificate from the I.T.O. authorising such deduction. The certificate once issued will continue to be in force till it is withdrawn by the I.T.O. or employee leaves the employment of the employer	272 Dt. 27-05-80	124 ITR (St.) 3.
(b) Guidelines for exemption u/s. 80U—Also refer circular No. 375, dt. 2-1-84:146 ITR (St.) 61	246 Dt. 20-09-78	116 ITR (St.) 26.
(c) Clarification in relation to assessment years 1990-91 & 1991-92 in view of substituted rule 11D notified only on 27-1-92—Certain eligible assessee could not have claimed deduction under the then section 80U(1)(iii) due to the absence of relevant rule, defining "mental retardation", at the time when the returns for assessment years 1990-91 and 1991-92 were due—Where assessments have already been made, or intimation u/s. 143(1)(a) have already been issued, assessee can file rectification application u/s. 154/revision petition u/s. 264. Where no assessment/intimation u/s. 143(1)(a) has so far been served, assessee can file revised returns for limited purpose of claiming deduction under the then section 80U(1)(iii) till 31-12-93	653 Dt. 15-06-93	202 ITR (St.) 56.
Q. General:		
(a) "Convertible foreign exchange" for the purposes of section 80HHC, 80HHC & 80-O, will also include amounts received in non-convertible rupees from bilateral account countries and receipts in Indian Rupees under Government to Government credit. Remittances from Nepal & Bhutan are, however, excluded [For section 80HHC, see also item 'G' on page 311]	575 Dt. 31-08-90	185 ITR (St.) 32.
(b) Approval of hotels for the purposes of claiming the various tax concession envisaged in the Income-tax Act.	383 Dt. 22-06-84	148 ITR (St.) 13.
J. MISCELLANEOUS:		
A. Firms:		
1. A karta/coparcener of a HUF who is a partner in a firm on behalf of HUF, cannot be regarded as a <i>benamidar</i> of the HUF and as such there is no obligation to file Form No. 12A in such cases under the Explanation to section 185(1)	207 Dt. 24-09-76	105 ITR (St.) 54.
	224 Dt. 22-06-77	108 ITR (St.) 22.
2. Renewal of registration can be granted to a firm for a particular year on the basis of a declaration in Form No. 12, even if in the immediately preceding year, the same was refused on technical grounds provided there is no change in the constitution of the firm or in the shares of the partners	289 Dt. 29-12-80	131 ITR (St.) 58.
3. Clarification regarding Form No. 11, 11A & 12—Also refer circular No. 99, dt. 21-12-72:87 ITR (St.) 28	70 Dt. 11-12-71	83 ITR (St.) 52.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 [Contd.]:

Gist of circular	Circular No.	Refer
4. Under section 182(4) the legal liability to retain the amount equal to 30% of share of each partner in the income of the firm arises even before the tax is levied by the I.T.O./A.O. and is communicated to the partners	260 Dt. 31-07-79	131 ITR (St.) 117.
B. Losses:		
1. Order of set off/carry forward and set off of losses—The effect has first to be given to the provisions of section 71, i.e., where in respect of any assessment year, there is income under a head, the loss, if any, under any other head for that assessment year should first be set off against it before the unabsorbed losses of earlier years under the former head can be set off against such income. This position is, however, subject to the exceptions provided in Chapter VI of the Act which prohibit inter-head adjustments with regard to certain losses	587 Dt. 11-12-90	187 ITR (St.) 48.
2. Effect of the order passed by the Board for Industrial and Financial Reconstruction under a scheme for rehabilitation of sick units ..	523 Dt. 5-10-88 576 Dt. 31-08-90	174 ITR (St.) 1. 185 ITR (St.) 48.
3. Section 72A(2)(ii)—Certificate from specified authority in respect of adequacy of steps taken for rehabilitation/revival of business of amalgamating company would be necessary for each of the years during which the renewal scheme is implemented. The certificate will also be required for each of the assessment years in which carry forward and set off of unabsorbed loss, etc. of the amalgamating co. is claimed by the amalgamated co.	350 Dt. 29-09-82	138 ITR (St.) 44.
C. Return/Assessment:		
1. Summary assessment scheme—Steps taken for accelerating the pace of assessments	201 Dt. 5-07-76	104 ITR (St.) 51.
2. Assessment of political parties—Regarding filing of returns	412 Dt. 2-03-85	152 ITR (St.) 202.
3. Reopening of assessments on account of retrospective amendment made in section 80HHC in respect of "Counter" sale to foreign tourists in shops and emporia, etc.—will not be done to check whether such counter sale is included in the relief u/s. 80HHC. But where the income-tax records show it is included, the past assessments will be rectified on the basis of retrospective amendments	624 Dt. 23-01-92	193 ITR (St.) 109.
4. Where the last day for filing return of income/loss is a day on which (I.T.) office is closed, the assessee can file the return on the next working day and, in such cases, the return will be considered to have been filed within the specified time limit. This clarification also applies to the returns under other direct tax enactments. The above clarification have been issued in view of section 10 of the General Clauses Act, 1897	639 Dt. 13-11-92	199 ITR (St.) 1.
D. Circulars on Amnesty Scheme:		
For circulars on Amnesty Scheme issued during financial years 1985-86 & 1986-87 in relation to assessment year 1986-87, etc., refer page 290 of I.T.R.R. 1993-94 (55th year of Publication). ..		
E. Appeals:		
1. Giving of appeal effects, etc. promptly	209 Dt. 11-01-77	108 ITR (St.) 1.
2. Date of limitation for filing appeals u/s. 249(2)(c)—For the purposes of section 249(2)(c), the intimation u/s. 143(1) should be deemed to have been served on the assessee (for this limited purpose) on the date following the expiry of the period of 3 months mentioned in the proviso under section 154(2)(b) and hence the limitation period of 30 days will start from that date	668 Dt. 20-10-93	204 ITR (St.) 104.
F. Rectification:		
1. <i>Prima facie</i> adjustments made u/s. 143(1)(a)—Scope of section 154 & disallowance u/s. 43B—For gist of these clarifications, refer note 5 on page 111 of this I.T.R.R.	601 Dt. 4-06-91	190 ITR (St.) 4.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 [Contd.]:

Gist of circular	Circular No.	Refer
2. The sums disallowed as <i>prima facie</i> inadmissible u/s. 143(1)(a), in the absence of requisite evidence of payment cannot be subsequently allowed by rectification u/s. 154—Also refer circular No. 669 hereafter	581 Dt. 28-09-90	186 ITR (St.) 2.
Where the sums referred to in the 1st proviso under section 43B had in fact been paid on or before the due dates mentioned therein, but the evidence therefor had been omitted to be furnished along with the return, the Assessing Officer can entertain application u/s. 154 for rectification of the intimation u/s. 143(1)(a) or order u/s. 143(3). Circular No. 581, stands modified to the above event	669 Dt. 25-10-93	204 ITR (St.) 105.
3. Order u/s. 119(2)(a)/(b)—Penalties based on cancelled/annulled assessments—Authorisation by the CBDT for cancelling such penalties u/s. 154 beyond the time limit prescribed u/s. 154(7)	87 Dt. 19-06-72 91 Dt. 30-08-72	89 ITR (St.) 141. 89 ITR (St.) 142.
4. Where a valid application for rectifications has been filed by the assessee within the statutory time limit but was not disposed of by the authority concerned within the time specified u/s. 154(7), it may be disposed of by that authority even after the expiry of the statutory time limit	73 Dt. 7-01-72	84 ITR (St.) 4.
5. The Board's authorisation for taking action u/s. 154 beyond the time limit fixed u/s. 154(7) in cases of protective assessments which required to be cancelled	71 Dt. 20-12-71	83 ITR (St.) 91.
6. Where an assessee moves an application u/s. 154 pointing out that in the light of a later decision of the Supreme Court pronouncing the correct legal position, a mistake has occurred in any of the completed assessments in his case, the application shall be acted upon, provided the same has been filed within the time & is otherwise in order	68 Dt. 17-11-71	83 ITR (St.) 6.
G. Refunds: Order u/s. 119(2)(b)—Condonation of delay in filing refund claims—Authorisation to the Assessing Officers to admit belated refund claims u/s. 237:		
(a) Arising as a result of tax deducted/collected at source and advance tax payments where the amount of such refund does not exceed Rs. 1 lakh for any assessment year subject to specified conditions—W.e.f. 1-11-93	670 Dt. 26-10-93	204 ITR (St.) 154.
(b) Arising as a result of excess advance tax paid upto Rs. 10,000 subject to specified conditions—W.e.f. 1-8-88	521 Dt. 17-08-88	173 ITR (St.) 43.
(c) Arising as a result of tax @ source upto Rs. 10,000 subject to conditions specified—W.e.f. 10-2-88	503 Dt. 6-02-88	171 ITR (St.) 1.
(d) In the cases of contractors/sub-contractors upto Rs. 1,000, subject to conditions specified—W.e.f. 1-1-86 to 9-2-88	446 Dt. 31-12-85	157 ITR (St.) 50.
(e) Arising as a result of tax at source upto Rs. 1,000 subject to conditions specified—W.e.f. 2-4-84 to 9-2-88	379 Dt. 10-04-84	148 ITR (St.) 13.
H. Interest:		
1. Waiver/Reduction of interest—Section 215/217—Rule 40(1)	492 Dt. 21-07-87	168 ITR (St.) 1.
2. Levy of interest u/s. 220(2) when the original assessment is set aside/cancelled—No interest u/s. 220(2) can be charged pursuant to the original demand notice. Interest can be charged only after the expiry of 30/35 days from the date of service of demand notice pursuant to reframed assessment order	334 Dt. 3-04-82	135 ITR (St.) 10.
3. No interest shall be levied u/s. 234C in respect of any shortfall in payment of advance tax, if shortfall is on account of failure to estimate the income expected from capital gains or income referred to in sec. 2(24)(ix) and the assessee has paid the whole amount of tax payable in respect of such income as part of the instalment of advance tax which is immediately due after the accrual of such income. Interest u/s. 244A shall be payable to assessee from 1st April of the assessment year to the date of granting refund. However, u/s. 244A(2), any period of delay attributable to the assessee shall be excluded [Refer para 10.9 & 11.4 of the circular]	549 Dt. 31-10-89	182 ITR (St.) 1.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 [Contd.]

Gist of circular

Circular No.

Refer

4. If the last day of payment of any instalments of advance tax is a day on which the receiving bank is closed, the assessee can make the payment on the next immediately following working day, and in such cases, the mandatory interest leviable u/s. 234B/234C would not be charged .. 676 Dt. 14-01-94 205 ITR (St.) 330.

I. Penalties:

For failure to comply with the provisions of section 44AB, penalty proceedings u/s. 271B should not be initiated for assessment year 1985-86 if the audit report u/s. 44AB has been obtained by 30-9-85 & self-assessment tax u/s. 140A has been paid within the normal period prescribed u/s. 139(1) for filing return of income. Also refer Clarifications dt. 10-7-86:162 ITR. (St.) 58. Circular No. 582 issued on the same matter has been withdrawn vide Circular No. 628 dt. 6-3-92: 195 ITR (St.) 72

422 Dt. 19-06-85 155 ITR (St.) 44.

J. General:

1. Exercise of discretion u/s. 220(6) to treat the assessee as not being in default in respect of the amounts disputed in first appeal pending before Deputy Commissioner (Appeals)/Commissioner (Appeals) .. 530 Dt. 6-03-89 176 ITR (St.) 240.
589 Dt. 16-01-91 187 ITR (St.) 79.
2. Indian Nationals having income arising in Pakistan—assessment proceedings/collection of tax—clarification regarding .. 25 Dt. 2-07-69 73 ITR (St.) 23.
251 Dt. 29-01-79 116 ITR (St.) 46.
3. Amount borrowed or repaid on hundi—Section 69D—Provisions of section 69D are not applicable to certain types of Darshani hundi transactions .. 208 Dt. 15-11-76 107 ITR (St.) 195.
221 Dt. 6-06-77 108 ITR (St.) 10.
4. Mode of taking or accepting/repayment of certain loans/deposits—sections 269SS/269T:

Where a "Kachha Arhatiya" sells goods belonging to agriculturist, the sale proceeds thereof which remain with him cannot be regarded as deposit made by the agriculturist with the "Kachha Arhatiya". Therefore, the repayment of such sale proceeds does not fall within purview of section 269T

556 Dt. 23-02-90 183 ITR (St.) 92.

Increased monetary ceiling limit of Rs. 20,000 u/s. 269SS & 269T will apply to loan or deposit taken or accepted or, repayment of deposit together with or without interest or interest alone, on or after 1-4-1989

522 Dt. 18-08-88 173 ITR (St.) 44.

The payment of interest of Rs. 10,000 (Rs. 20,000 w.e.f. 1-4-1989) or more on deposits, will have to be made in the manner provided in section 269T

479 Dt. 16-01-87 164 ITR (St.) 154.

5. Non-residents:

- (a) Individuals normally resident in Kuwait and returning to India after 2-8-90, would be eligible for exemption u/s. 10(4)(ii) in respect of such accounts maintained upto 30-6-1991 .. 590 Dt. 30-01-91 187 ITR (St.) 144.
604 Dt. 11-06-91 190 ITR (St.) 12.
- (b) Indian crew members of foreign-going Indian ship will be treated as "Non-resident" if they are on board of such ship outside the territorial waters of India for 182 days or more during any year 586 Dt. 28-11-90 186 ITR (St.) 167.
- (c) Where shares in Indian companies are allotted, in consideration of the machinery & plant, to a non-resident, the income embodied in the payments would be received in India as the shares in the Indian companies are located in India and would accordingly be liable to income-tax as income in India .. 382 Dt. 4-05-84 153 ITR (St.) 3.
- (d) 'Overseas corporate body' is foreign company. Income by way of interest received by overseas corporate body is liable to flat rate of tax u/s. 115(1)(ia) .. 473 Dt. 31-10-86 162 ITR (St.) 57.
- (e) The mere existence of an agency established by a non-resident in India will not be sufficient to make the non-resident liable to tax, if the sole function of the agency is to purchase goods for export .. 163 Dt. 29-05-75 99 ITR (St.) 187.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 [Contd.]

<i>Gist of circular</i>	<i>Circular No.</i>	<i>Refer</i>
6. Request by an assessee to extend the previous year relevant to assessment year 1988-89 to 31-3-1988 may be liberally allowed by the assessing authorities u/s. 3(4) subject to the condition that the adoption of such longer previous year does not result in any loss of revenue	165/4/88-IT(AI) Dt. 4-2-88	171 ITR (St.) 220.
7. Double taxation agreements:		
(a) Agreement with Aden	171 Dt. 8-07-75	100 ITR (St.) 14.
(b) Agreement with Belgium	553 Dt. 13-02-90	182 ITR (St.) 182.
(c) Agreement with Canada	638 Dt. 28-10-92	198 ITR (St.) 120.
(d) Agreement with Federal Republic of Germany	659 Dt. 8-09-93	203 ITR (St.) 127.
(e) Agreement with Republic of France	39 Dt. 13-04-70	76 ITR (St.) 118.
(f) Agreement with Pakistan	127 Dt. 10-01-74	93 ITR (St.) 69.
(g) Income-tax (Double Taxation Relief) (Dominions) Rules, 1956—Sec. 90 & 91	116 Dt. 10-07-73 172 Dt. 8-07-75	90 ITR (St.) 24. 100 ITR (St.) 15.
(h) Where a specific provision is made in the double taxation avoidance agreement, that provision will prevail over the general provisions contained in the Income-tax Act	333 Dt. 2-04-82	137 ITR (St.) 1.
8. Book publishing companies even though they may themselves not be engaged in the printing or binding of books qualify to be treated as industrial companies for the purposes of sec. 104 as well as for the concessional tax treatment given to industrial companies	347 Dt. 7-07-82	137 ITR (St.) 14.
9. Recording of the date of the receipt of cheque on the chalan tendered for payment of any direct taxes	261 Dt. 8-08-79 265 Dt. 11-04-80	120 ITR (St.) 7. 131 ITR (St.) 54.
10. Place of payment of direct taxes	306 Dt. 19-06-81	130 ITR (St.) 11.
11. Surcharge is to be computed on the amount of income-tax as reduced by the tax rebate calculated under Chapter VIII i.e. sections 88 & 88A	606 Dt. 20-06-91	190 ITR (St.) 66.
12. Tax clearance certificate in the case of a foreign employee not domiciled in India—Simplification of procedure—Regarding	546 Dt. 4-10-89	180 ITR (St.) 29.
13. Income-tax clearance certificate to contractors—Issue of—Grounds for denial thereof—levy of penalty for concealment/conviction—Instructions regarding	162 Dt. 24-03-75 186 Dt. 23-12-75	99 ITR (St.) 15. 102 ITR (St.) 83.
14. Procedure for granting relief u/s. 89(1)	331 Dt. 22-03-82	135 ITR (St.) 8.
15. Provisions of section 230A are not applicable to those cases which involve registration of documents in which the Government is a transferor	191 Dt. 4-03-76	109 ITR (St.) 115.
16. Section 264(4)(c)—Scope of the expression 'subject of an appeal'—clarification regarding	367 Dt. 26-07-83	144 ITR (St.) 19.

IV. CIRCULARS ON PROVISIONS RELATING TO THE WEALTH-TAX ACT, 1957:

<i>Gist of circular</i>	<i>Circular No.</i>	<i>Refer</i>
Asset:		
Deposit under "Own Your Telephone" scheme is exempt u/s. 2(e) if the same has not been shown as asset by the assessee in his accounts and in the balance sheet	222 Dt. 10-06-77	110 ITR (St.) 1.
Exemptions:		
1. Withdrawal of exemption in respect of certain items u/s. 5(1)(viii)—Clarification regarding	75 Dt. 22-01-72	83 ITR (St.) 106.
2. A. Clarification in respect of sec. 5(1)(xxa), in view of the omission of Ninth Schedule to the Income-tax Act. w.e.f. 1-4-1988—Omission of the said Schedule does not affect the admissibility of exemption u/s. 5(1)(xxa)	627 Dt. 27-02-92	194 ITR (St.) 221.
B. Concerned company should apply to the assessing authority in the form as per Annexure 'X' in case it desires an exemption u/s. 5(1)(xxa) for issue of equity shares	490 Dt. 14-07-87	166 ITR (St.) 146.
3. Investments made under the National Savings Scheme, 1987 is exempt u/s. 5(1)(xxvb) without any monetary ceiling specified in section 5(1A)	511 Dt. 10-05-88	172 ITR (St.) 4.

IV. CIRCULARS ON PROVISIONS RELATING TO THE WEALTH-TAX ACT, 1957 [Contd.]

<i>Gist of circular</i>	<i>Circular No.</i>	<i>Refer</i>
4. Exemption under section 5(1)(xxxiii) and section 6—Deposits from non-resident Indians—Clarification	411 Dt. 25-02-85	152 ITR (St.) 227.
Valuation & Location of Assets:		
1. For valuation of Jewellery, the report of the registered valuer obtained for one assessment year can also be used for subsequent four assessment years subject to the adjustments specified in Para 3 of the circular. In such a case a copy of the said valuation report along with a chart showing the specified adjustments should be filed along with the return of net wealth for each of the four assessment years ..	646 Dt. 15-03-93	200 ITR (St.) 228.
2. Instructions on valuation & location of certain assets u/s. 6 & 7 — Also refer circular No. 384 dt. 6-7-84: 148 ITR (St.) 33 & 392 dt. 24-8-84: 150 ITR (St.) 38	3WT Dt. 28-09-57	33 ITR (St.) 97.
3. Valuation of residential house under Rule 1BB—where the rent of such a house is pegged at a level & cannot be increased, the rent actually received/receivable should be the basis for arriving at the "gross maintainable rent" for the purposes of the rule	355 Dt. 28-02-83	143 ITR (St.) 4.
4. A. Instructions regarding valuation of unquoted equity shares of investment companies and holding companies—Also refer Circular No. 118 dt. 15-9-73: 92 ITR (St.) 1 & 332A dt. 31-3-82: 135 ITR (St.) 11	2 WT. Dt. 31-10-67	92 ITR (St.) 2.
B. Where the balance sheet of the company as on the relevant valuation date has not been published before the due date of furnishing the return of wealth by the shareholder, the valuation of such unquoted shares can be based on the balance sheet of the immediately preceding valuation date	548 Dt. 27-10-89	181 ITR (St.) 35.
Miscellaneous:		
1. A. Instructions regarding scope of Explanation to section 18(1)	8 WT Dt. 15-11-68	71 ITR (St.) 2.
B. Penalty u/s. 18(1)(c)—Cases where tolerance margin of 25% is exceeded because of disallowance of disputed tax liability, penalty should not be levied.	17/25/69—WT Dt. 12-06-69	73 ITR (St.) 18.
2. Wealth-tax assessment in respect of properties left in erstwhile East Pakistan after Indo-Pak Conflict of 1965	385 Dt. 3-07-84 547 Dt. 18-10-89	148 ITR (St.) 33. 180 ITR (St.) 42.
3. Consequent to the amendment of section 2(m), with effect from the assessment year 1993-94, the wealth-tax liability under the Wealth-tax Act is not a debt owed by the assessee incurred in relation to the assets taxable under the Wealth-tax Act. The liability of wealth-tax is a personal liability of the assessee and is not a debt incurred by the assessee but it is created by the statute. Therefore, no deduction is allowable for the wealth-tax liability in the computation of taxable net wealth from assessment year 1993-94 and onwards	663 Dt. 28-09-93	203 ITR (St.) 134.

V. CIRCULARS ON PROVISIONS RELATING TO THE GIFT-TAX ACT, 1958:

<i>Gist of circular</i>	<i>Circular No.</i>	<i>Refer</i>
1. Clarification regarding deemed gifts u/s. 4(1)(a) where the consideration for the transfer of property is determined/fixed/approved by the Central Govt./Reserve Bank of India	136 Dt. 24-05-74	95 ITR (St.) 5.
2. Gifts by HUF on daughter's marriage is not taxable as it is not a 'gift' u/s. 2(xii)	419 Dt. 1-06-85	155 ITR (St.) 7.
3. Liability to gift-tax—Remittances made by non-resident donors to residents in India	302 Dt. 2-05-81	131 ITR (St.) 63.
4. Exemption u/s. 5(1)(v) is applicable to all types of properties, movable or immovable—Circular No. 284 dt. 13-10-80 withdrawn	304 Dt. 2-06-81	131 ITR (St.) 64.
5. The valuation of partner's right to share the profits of the firm without the right to share the assets shall be calculated in the manner specified in the annexure to this circular	219 Dt. 30-05-77	109 ITR (St.) 77.
6. Deduction of stamp duty u/s. 18A whether admissible on instrument not designated as instrument of gift—Clarification regarding	358 Dt. 30-04-83	143 ITR (St.) 1.
7. Rebate on advance payment of gift-tax u/s. 18—if the 15th day happens to be a bank holiday or a day on which the Treasury is closed, if the advance payment is made on the working day immediately following the holiday(s)—rebate is allowable	5 GT Dt. 19-09-58	35 ITR (St.) 25.
8. Returns for assessment year 1990-91 in respect of gifts made during the period from 20-3-90 to 31-3-90 can be filed on or before 30-6-91. If filed after 30-6-91, interest u/s. 16B will be levied from 1-7-91 to date of furnishing such return ..	602 Dt. 5-06-91	190 ITR (St.) 5.

CHART FOR DEDUCTION OF TAX AT SOURCE

[In respect of payments to resident assessee during the Financial Year 1994-95]

Sec. of I.T. Act & Nature of Income/payment	When to deduct tax at source	At what rate tax is to be deducted at source	When to deposit tax deducted (as per Col. 3) in Government account	ANNUAL RETURN		TDS CERTIFICATE	
				Prescribed Form No.	Time limit for filing	Prescribed Form No.	Time limit for issue of certificate
1	2	3	4	5	6	7	8
192*: Salary	Monthly at the time of payment where estimated taxable salary exceeds Rs. 2,917 p.m./Rs. 35,000 p.a.	At the rates prescribed in Part III of the First Schedule to the Finance Act & salary tables on pp. 273-276	Within 1 week from the date of such deduction [Refer note 1]	Form No. 24 [Refer note 2]	31-5-1995	Form No. 16 [Can be issued on own stationery]	29-4-1995.
193*: Interest on securities	At the time of credit or payment, whichever is earlier. For no deduction of tax in certain cases where the interest on debenture does not exceed Rs. 2,500, refer page 148 [Refer note 4]	At the rates prescribed in Part II of the First Schedule to the Finance Act i.e. @ 10% as I.T. [In the case of a domestic co., @ 21.5% as I.T. + S.C. @ 15% of I.T.]	Within 1 week from the last day of the month in which the deduction is made [Refer note 3]	Form No. 25	30-6-1995	Form No. 16A [Can be issued on own stationery]	Within 1 month & 14 days from the date of credit/ payment [Refer note 3].
194*: Dividends	Before making payment to resident shareholder. For no deduction of tax in certain cases where it does not exceed Rs. 2,500, refer page 147 [Refer note 4 & 6]	At the rates prescribed in Part II of the First Schedule to the Finance Act i.e. 20% as I.T. [In the case of a domestic co., @ 21.5% as I.T. + S.C. @ 15% of I.T.]	Within 1 week from the date of such deduction	Form No. 26	28-4-1995	Form No. 16A [Can be issued on own stationery]	Within 1 month & 14 days from the date of issue of cheque/ warrant.
194A*: Interest other than "Interest on securities" payable by persons other than individual/HUF	At the time of credit or payment, whichever is earlier, when the aggregate sums payable during the financial year exceeds Rs. 2,500 [Refer note 5 & 6]	At the rates prescribed in Part II of the First Schedule to the Finance Act i.e. 10% as I.T. [In the case of a domestic co., @ 20% as I.T. + S.C. @ 15% of I.T.]	Within 1 week from the last day of the month in which the deduction is made [Refer note 1 & 3]	Form No. 26A	30-6-1995	Form No. 16A [Can be issued on own stationery]	Within 1 month & 14 days from the date of credit/ payment. [Refer note 3].
194B*: Winnings from lottery or crossword puzzle	At the time of payment when it exceeds Rs. 5,000	At the rates prescribed in Part II of the First Schedule to the Finance Act i.e. 40% as I.T. [In the case of a domestic co., 40% as I.T. + S.C. @ 15% of I.T.]	Within 1 week from the date of such deduction	Form No. 26B	31-5-1995	Form No. 16A [Can be issued on own stationery]	Within 1 month & 14 days from the date of payment.
194BB*: Winnings from horse race	At the time of payment when it exceeds Rs. 2,500	At the rates prescribed in Part II of the First Schedule to the Finance Act i.e. @ 40% as I.T. [In the case of a domestic co., 40% as I.T. + S.C. @ 15% of I.T.]	Within 1 week from the date of such deduction	Form No. 26BB	31-5-1995	Form No. 16A [Can be issued on own stationery]	Within 1 month & 14 days from the date of payment.
194C*: Payments to contractors/sub-contractors (payable to sub-contractor by persons other than individual, HUF)	At the time of credit or payment, whichever is earlier, when the contract value exceeds Rs. 10,000	In the case of payment made to— 1. Contractor @ 2% as I.T. [In the case of a domestic co., 2% as I.T. + S.C. @ 15% of I.T.] 2. Sub-contractor @ 1% as I.T. [In the case of a domestic co., 1% as I.T. + S.C. @ 15% of I.T.]	Within 1 week from the last day of the month in which the deduction is made [Refer note 3]	Form No. 26C	30-6-1995	Form No. 16A [Can be issued on own stationery]	Within 1 month & 14 days from the date of credit/ payment. [Refer note 3].
194D*: Insurance commission	At the time of credit or payment, whichever is earlier, when the aggregate sums payable during the financial year exceeds Rs. 5,000	At the rates prescribed in Part II of the First Schedule to the Finance Act i.e. @ 10% as I.T. [In the case of a domestic co., @ 21.5% as I.T. + S.C. @ 15% of I.T.]	Within 1 week from the last day of the month in which the deduction is made [Refer note 1 & 3]	Form No. 26D	30-6-1995	Form No. 16A [Can be issued on own stationery]	29-4-1995.

* Read with rules 30, 31 & 37 of the Income-tax Rules, 1962.

CHART FOR DEDUCTION OF TAX AT SOURCE—(Contd.)**[In respect of payments to resident assessee during the Financial Year 1994-95]**

Sec. of I.T. Act & Nature of Income/payment	When to deduct tax at source	At what rate tax is to be deducted at source	When deposit to tax deducted (as per Col. 3) in Government account	ANNUAL RETURN		TDS CERTIFICATE	
				Prescribed Form No.	Time limit for filing	Prescribed Form No.	Time limit for issue of certificate
1	2	3	4	5	6	7	8
194EE*: Payments out of deposits under National Savings Scheme ref. to in sec. 80CCA & not sec. 88	At the time of payment when the aggregate sums exceed Rs. 2,500 in a financial year. No deduction, if paid to heirs of the depositor [Refer note 4]	At the rate of 20% as I.T.	On the day of deduction itself	Form No. 26F	30-6-1995	Form No. 16A [Can be issued on stationery]	Within 1 month & 14 days from the date of payment.
194F*: Payments on account of repurchase of units referred to in sec. 80CCB	At the time of payment of any amount referred to in sec. 80CCB(2)	At the rate of 20% as I.T.	Within 1 week from the date of such deduction	Form No. 26G	30-6-1995	Form No. 16A [Can be issued on own stationery]	Within 1 month & 14 days from the date of payment.
194G*: Commission, etc. on sale of lottery tickets	At the time of credit or payment, whichever is earlier, where it exceeds Rs. 1,000	At the rate of 10% as I.T. [In the case of a domestic co., 10% as I.T. + S.C. @ 15% of I.T.]	Within 1 week from the last day of the month in which deduction is made [Refer note 3]	Form No. 26H	30-6-1995	Form No. 16A [Can be issued on own stationery]	Within 1 month & 14 days from the date of credit/ payment. [Refer note 3].
194-I: Rent [payable by persons other than Individual/HUF]	At the time of credit or payment, whichever is earlier, when aggregate sums credited/paid during the financial year exceeds Rs. 1,20,000	At the rate of 20% as I.T. [In the case of a domestic co., 20% as I.T. + S.C. @ 15% of I.T.]	To be prescribed	To be prescribed	To be prescribed	To be prescribed	To be prescribed

* Read with rules 30, 31 & 37 of the Income-tax Rules, 1962.

Notes: 1. The Assessing Officer may permit any person to pay tax deducted from income by way of—

(a) salary, quarterly on 15th June, 15th September, 15th December & 15th March; &

(b) interest u/s. 194A or insurance commission u/s. 194D, quarterly on 15th July, 15th October, 15th January & 15th April.

Time limit for issue of certificate referred to in sections 194A & 194D is within 14 days from the date of payment of tax [Refer proviso to rule 30(1)(b) and 3rd proviso to rule 31(3) of the I.T. Rules].

- Monthly statement in Form No. 21 in respect of salaries paid in the case of an employee leaving service is to be furnished to the Assessing Officer within 1 month from the end of the month in which the employee leaves service [Refer rule 32].
Monthly certificate of deduction of tax in Form No. 23 is to be furnished to the Assessing Officer within 1 month from the end of the month in which the tax is deducted [Refer rule 32 of the I.T. Rules].
- Where the income referred to in sections 193, 194A, 194C, 194D & 194G is credited by a person carrying on a 'business or profession' to the account of the payee as on the date upto which the accounts of such business or profession are made, tax deducted has to be deposited in Government account within 2 months of the expiration of the month in which that date falls. The time limit for issue of certificate in such a case is within a week after the expiry of 2 months from the month in which the income is so credited [Refer rule 30(1)(b)(i) & 1st proviso to rule 31(3) of the I.T. Rules].
- In the case of a resident individual, tax is not to be deducted u/s. 193, 194 and 194EE, if such an individual furnishes to the payer a declaration in writing in duplicate in the prescribed Form No. 15F (sec. 193), 15G (sec. 194) & 15-I (sec. 194EE). The payer of the income has to deliver one copy of such declaration to the Chief Commissioner or Commissioner within 7 days of the month following the month in which the declaration is furnished to him [Refer Section 197A(1) read with rule 29C of the I.T. Rules].
- In the case of a person (not being a company or a firm), tax is not to be deducted u/s. 194A, if such a person furnishes to the payer a declaration in writing in duplicate in the prescribed Form No. 15H. The payer of the income has to deliver one copy of such declaration to the Chief Commissioner or Commissioner within 7 days of the month following the month in which the declaration is furnished to him [Refer Section 197A(1A) read with the rule 29C(3)(5) of the I.T. Rules].
- Where no tax is deducted at source from interest income u/s. 194A & dividend u/s. 194, annual return in Form No. 27A (sec. 194A) & Form No. 27B (sec. 194) is to be furnished by 28th April, 1995 [Refer rules 37AA & 37B of the I.T. Rules].
Where no tax is deducted at source from insurance commission u/s. 194D, annual return in Form No. 26E is to be furnished by 30th June [Refer rule 37 of the I.T. Rules].
- For failure to deduct correct tax @ source on due dates, as per chart above, interest u/s. 201(1) is leviable [Refer interest chart on pp. 169-170]. Similarly, penalty is also leviable u/s. 271C, 272A(2)(C) & 272A(2)(g) [Refer penalty chart on pp. 170-171].

IMPORTANT PRESCRIBED FORMS UNDER THE INCOME-TAX RULES, 1962:

[In respect of resident assessees]

<i>Subject</i>	<i>Prescribed Form No.</i>	<i>Refer I.T. Rules</i>
I. Charitable & Religious Trusts:		
(a) Notice for accumulation of income to be given to the Assessing Officer/the prescribed authority u/s. 11(2) or under the said provisions as applicable to sections 10(21) & 10(23)	10	17
(b) An application u/s. 12A(a) for registration of charitable trusts	10A	17A
(c) The auditor's report u/s. 12A(b)	10B	17B
(d) Application for approval/continuance u/s. 80G(5)(vi) [in triplicate]	10G	11AA(1)
II. Salary:		
(a) Furnishing of particulars of—		
1. income u/s. 192(2A) for claiming relief u/s. 89(1) by an employee	10E	21AA
2. "salaries" received from other employer(s) to the person responsible for deduction of tax at source (i.e. present employer) [Sec. 192(2)]	12B	26A
3. income under the heads of income other than "Salaries" for deduction of tax at source [Section 192(2B)]	12C	26B
(b) Certificate of deduction of tax at source u/s. 203	16	31(1)(a)
(c) Statement in respect of salaries paid and tax deducted at source in the case of employees leaving service	21	32(1)(a)
(d) Monthly certificate of deduction of tax at source	23	32(1)(b)
(e) Return of deduction of tax from contributions paid by the trustees of an approved superannuation fund	22	33
(f) Annual return of deduction of tax from "Salaries"—u/s. 206	24	37
III. Business/Profession:		
(a) Report of audit of the accounts—		
1. u/s. 33AB(2)	3AC	5AC
2. u/s. 35D(4)/35E(6) [For assessee other than a company & co-operative society]	3B	6AB
3. u/s. 44AB [Tax audit], in the case of a person—		
A. who carries on business & who is required by or under any other law to get accounts audited	3CA	6G(1)(a)
B. who carries on business, but is not required by or under any other law to get accounts audited	3CB	6G(1)(b)
C. who carries on profession	3CC	6G(1)(c)
The particulars to be furnished u/s. 44AB—		
(i) in the case of a person carrying on business	3CD	6G(2)(a)
(ii) in the case of a person carrying on profession	3CE	6G(2)(b)
4. u/s. 142(2A)	6B	14A
5. u/s. 80HH(5) [for assessee other than company & co-operative society]	10C	18B
6. u/s. 80HHA(4) [for assessee other than company & co-operative society]	10CC	18BB
7. u/s. 80HHB(3)(i) [for assessee other than company & co-operative society]	10CCA	18BBA(1)
8. u/s. 80HHC(4)/80HHC(4A)(a)	10CCAC	18BBA(3)
9. u/s. 80HHD(6)	10CCAD	18BBA(4)
10. u/s. 80HHE(4)	10CCAF	18BBA(7)
11. u/s. 80-I(7) or 80-IA(8) [for assessee other than company & co-operative society]	10CCB	18BBB
(b) Certificate from the Export/Trading House which is required to be furnished by the supporting manufacturer u/s. 80HHC(4A)(b)	10CCAB	18BBA(2)
(c) Certificate from a person making payment to an assessee, engaged in the business of a hotel or of a tour operator or of a travel agent u/s. 80HHD(2A)	10CCAE	18BBA(6)
(d) A person carrying on medical profession to keep and maintain 'a daily case register'	3C	6F(3)(i)
(e) The application required to be furnished by a scientific or industrial research organisation u/s. 35(1)(ii)/(iii)	3CF	6(2)
(f) The application for obtaining approval of scientific research programme u/s. 35 (2AA) to be made by a sponsor	3CG	6(3)
(g) The application for approval of agreement u/s. 80-O	10F	11(E)

IMPORTANT PRESCRIBED FORMS UNDER THE INCOME-TAX RULES, 1962 (Contd.):

Subject	Prescribed Form No.	Refer I.T. Rules
IV. Deduction of tax at source on payment of income other than "Salaries":		
(a) Application to the Assessing Officer for certificate for deduction of tax at lower rates—		
1. by a person u/s. 197(1) — in respect of income referred to in section 192, 193, 194, 194A, 194D & 195.	13	28(1)
2. by a contractor or a sub-contractor u/s. 194C(4)	13C	28(2)
3. by a person, u/s. 194G(2)—commission on sale of lottery tickets	13D	28(4)
Certificate of no deduction of tax or deduction at lower rates to be issued by the Assessing Officer in pursuance of an application made u/r. 28—		
1. from income other than dividend	15AA	28AA(5)
2. from dividend	15	29(5)
(b) Application by non-resident/foreign company for certificate authorising receipt of interest and other sums (not being salary) without deduction of tax	15D	29B(3)
Certificate to be issued by the Assessing Officer in lieu of application in Form No. 15D	15E	29B(6)
(c) Statement in duplicate by shareholder claiming receipt of dividend without deduction of tax	14B	28A
(d) Declaration in duplicate u/s. 197A(1), to be made by a resident individual claiming receipt of—		
1. "Interest on securities" without deduction of tax	15F	29C(1)/(4)
2. "Dividends" without deduction of tax	15G	29C(2)/(4)
3. Payment of any amount referred to in section 80CCA(2)(a) [i.e. National Savings Scheme, 1987] without deduction of tax	15-I	29C(3A)/(4)
(e) Declaration in duplicate u/s. 197A(1A) to be made by a person not being a company or firm for payment of interest other than "Interest on securities" without deduction of tax	15H	29C(3)/(4)
(f) Declaration to be made by the registered shareholder and by the person claiming credit where the dividend on shares is assessable as income of such other person	15B	30A(2)
(g) Certificate for deduction of tax at source u/s. 203 in respect of income by way of payments to:—		
"Interest on securities" [Sec. 193], dividends [Sec. 194], interest other than "Interest on securities" [Sec. 194A], winnings from lotteries or crossword puzzles [Sec. 194B], winnings from horse races [Sec. 194BB], contractors/sub-contractors [Sec. 194C], insurance commission [Sec. 194D], withdrawals from National Savings Scheme, 1987 [Sec. 194EE], repurchase of units referred to in section 80CCB [Sec. 194F] & commission, etc. on sale of lottery tickets [Sec. 194G]	16A	31(1)(b)
(h) Application in duplicate for allotment of a tax deduction account number u/s. 203A	49B	114A(1)
V. Annual return of deduction of tax at source to be furnished u/s. 206 from:		
(a) Interest on securities	25	37
(b) Dividends	26	37
(c) Interest other than "Interest on securities"	26A	37
(d) Winnings from lotteries or crossword puzzles	26B	37
(e) Winnings from horse races	26BB	37
(f) Payments made to contractors or sub-contractors	26C	37
(g) Insurance commission	26D	37
(h) Payments in respect of deposits under National Savings Scheme, 1987 [Sec. 80CCA]	26F	37
(i) Payments on repurchase of units referred to section 80CCB	26G	37
(j) Payments of commission, etc. on sale of lottery tickets	26H	37
VI. Annual return without deduction of tax in respect of:		
(a) Insurance commission—u/s. 206	26E	37
(b) Interest other than "Interest on securities"—u/s. 206A	27A	37AA
(c) Dividends—u/s. 206B	27B	37B(1)

IMPORTANT PRESCRIBED FORMS UNDER THE INCOME-TAX RULES, 1962 (Contd.):

Subject	Prescribed Form No.	Refer I.T. Rules
VII. Collection of tax at source u/s. 206C:		
(a) Certificate for no collection of tax at source under the proviso to section 206C(1) to be given by Assessing Officer	27C	37C(1)
(b) Certificate for collection at source to be given by the person collecting tax u/s. 206C(5)	27D	37D
(c) Half-yearly return [30th, Sept./31st, March] of collection of tax u/s. 206C from buyers of:		
1. alcoholic liquor for human consumption	27EA	37E
2. timber obtained under a forest lease	27EB	37E
3. timber obtained by any mode other than under a forest lease	27EC	37E
4. any other forest produce not being timber	27ED	37E
VIII. Return of income:		
(a) in the case of a company [not being a company claiming exemption u/s. 11]	1	12(1)(a)
(b) in the case of a person claiming exemption u/s. 11	3A	12(1)(c)
(c) In the case of a person [other than those referred to in (a) & (b) above] whose total income—		
1. includes any income chargeable to income-tax under the head "Profits and gains of business or profession"	2	12(1)(b)(i)
2. does not include any income chargeable to income-tax under the head "Profits and gains of business or profession"	3	12(1)(b)(iii)
Application [in duplicate] for allotment of a permanent account number u/s. 139A(1)/(2)	49A	114(1)
(d) The statement to be furnished u/s. 115K:		
1. by an individual/a non-specified H.U.F. [in duplicate]	4A	11EE(1)
2. by a specified H.U.F. [in duplicate]	4B	11EE(1)
IX. Payment of advance tax:		
(a) Notice of demand u/s. 156 to be served upon the assessee in pursuance of an order u/s. 210(3)/(4)	28	38
(b) Intimation which an assessee has to send to the Assessing Officer u/s. 210(5) in pursuance of an order received u/s. 210(3)/(4)	28A	39
X. Refunds:		
A claim for refund of tax under section 239	30	41(1)
XI. Appeals:		
(a) to the Deputy Commissioner(Appeals)/Commissioner(Appeals) [in duplicate]	35	45(1)
(b) to the Appellate Tribunal [in triplicate] (with challan for fees paid)	36	47(1)
(c) a memorandum of cross-objections u/s. 253(4) to the Appellate Tribunal [in triplicate]	36A	47(2)
(d) an application u/s. 256(1) requiring the Appellate Tribunal to refer to the High Court any question of law [in triplicate]	37	48
XII. Tax clearance certificates:		
(a) In respect of a person not domiciled in India, or domiciled in India, but intends to leave India as an emigrant or intends to proceed to another country on a work permit for employment [Apply to Assessing Officer, Foreign Section]	31	42(1)
Where the applicant is a person domiciled in India or who has been assessed by an Assessing Officer in India, the application in Form No. 31 shall be accompanied by the authorisation obtained from the said Assessing Officer	32	42(2)
A tax clearance certificate to be issued under section 230(1)	33	43(1)
An exemption certificate to be issued under the proviso to section 230(1)	34	43(2)
(b) In respect of transfer of immovable properties:		
1. Application in duplicate for certificate u/s. 230A(2)	34A	44A
2. Statement to be furnished u/s. 269UC(3) [in duplicate]	37-I	48L (2)

SEARCH AND SEIZURE

1. Legal provisions:

1.1 In order to unearth concealed income/wealth, the Income-tax department is empowered to search assessee's premises and seize undisclosed assets [Section 132, 132A and 132B of the Income-tax Act read with rules 112, 112A to 112D of the Income-tax Rules].

1.2 The search warrant under section 132(1) [in prescribed Forms No. 45, 45A to 45C] can be issued by the Director-General or Director or the Chief Commissioner or Commissioner [also by such Deputy Director or Deputy Commissioner, as may be empowered by the Board], if, in consequence of information in his possession, he has reason to believe that —

(a) a person has omitted or failed to produce books of account, documents, etc. in response to summons u/s. 131(1) or notice u/s. 142(1) of the Act [Section 132(1)(a)]; or

(b) a person will not, or would not, produce any books of account, documents, etc., in response to summons u/s. 131(1) or notice u/s. 142(1), already issued or about to be issued [Section 132(1)(b)]; or

(c) a person is in possession of assets (i.e., any money, bullion, jewellery or other valuable article or thing) either wholly or partly undisclosed to the Income-tax department [Section 132(1)(c)].

1.3 The search action can be undertaken in respect of any year which may be pending on the date on which a search is authorised u/s. 132 or which may have been completed on or before such date and includes also all proceedings under the Act which may be commenced after such date in respect of any year [Explanation 2 to Section 132].

1.4 The officer authorised by the warrant i.e., authorised officer has the following powers u/s. 132(1):

(a) to enter and search any building, place, vessel, vehicle or aircraft, if he has reason to suspect that such books of account, documents, money, bullion, jewellery or other valuable article or thing are kept;

(b) to break open the lock of any door, box, locker, safe, almirah or other receptacle, when the keys thereof are not made available;

(c) to search any person who has got out of, or is about to get into, or is in, the building, place, vessel, vehicle or aircraft, if he has reason to suspect that such person has secreted on his person any such books of account, documents, money, bullion, jewellery or other valuable article or thing;

(d) to seize any such books of account, documents, money, bullion, jewellery or other valuable article or thing found as a result of such search;

(e) to place marks of identification on any books of account or documents or to take extracts or copies therefrom; and

(f) to make a note or an inventory of any such money, bullion, jewellery or other valuable article or thing.

Where it is not possible or practicable to seize any asset [referred to in (d) above] due to its volume, weight or other physical characteristics or due to its being of a dangerous nature, the authorised officer is empowered to effect a deemed seizure thereof by issuing an order on the owner or the person who is in immediate possession or control thereof that he shall not remove, part with or deal with such assets without prior permission of the authorised officer [2nd proviso to section 132(1)].

1.5 The authorised officer may take the help of any police officer and/or of any officer of the Central Government for executing the search warrant issued u/s. 132(1) or 132 (1A) [Section 132(2)].

1.6 The authorised officer is also empowered to issue prohibitory order (i.e. attachment order), on the owner or the person in possession of books of account, documents, money, bullion, jewellery or other valuable article or thing [Section 132(3)]. Such prohibitory order is not deemed to be a seizure [Explanation to section 132(3)]. The said prohibitory order cannot remain in force beyond 60 days of its issue, unless the Director or the Commissioner gives prior approval therefor. The approval cannot be given for a period beyond 30 days after the completion of all the relevant proceedings under the Act [Section 132(8A)].

1.7 During the course of the search or seizure, the authorised officer is empowered to record statements on oath from the person found to be in possession or control of any books of account, documents, money, bullion, jewellery or other valuable article or thing. Such on-the-spot examination may cover all matters relevant to income-tax proceedings. The statements so recorded may be used in evidence in any proceeding under the Act [Section 132(4)]. Assessee may declare his undisclosed income, if any, in this statement and get immunity from the levy of penalty u/s. 271(1)(c) of the Act. For further details, see para 3 on page 325.

1.8 Where any books of account, documents, money, bullion, jewellery or other valuable article or thing are found to be in possession or control of any person in the course of a search, the department will presume that they belong to such person unless he rebuts the presumption by producing evidence. The department will also presume that the contents of such books of account and documents are true [Section 132(4A)].

1.9 After the seizure, the authorised officer will hand over the books of account, documents or assets seized u/s.132(1) to the Assessing Officer (AO) within a period of 15 days of such seizure [Section 132 (9A)]. The AO will conduct a preliminary enquiry by affording reasonable opportunity to the assessee as prescribed in rule 112A of the Income-tax Rules. Within 120 days of the seizure, the AO will pass a summary order u/s.132(5) with the prior approval of the Deputy Commissioner. The said order will contain the following :

- (a) an estimate of the undisclosed income represented by the seized assets;
- (b) calculation of the amount of tax on the income so estimated;
- (c) quantum of interest payable and penalty imposable on the above;
- (d) a specification of existing liability of the assessee, if any, under any of the direct taxes;
- (e) a specification and retention of the seized assets in satisfaction of the liabilities determined as above; and
- (f) an order releasing the balance of assets, in excess of the retained assets, to the person from whom they were seized.

Assessee desirous of getting any such retained assets, like jewellery, etc., may apply to the AO for its release either by paying the value thereof or by providing a bank guarantee for the value.

1.10 An assessee aggrieved by or objecting to the retention of assets by an order u/s.132(5), may file an application to the Chief Commissioner or Commissioner within 30 days of the receipt of the said order [Section 132(11)].

1.11 On receipt of application u/s.132(11), the Chief Commissioner or Commissioner may pass such order as he may think fit after hearing the assessee or his authorised representative [Section 132(12)].

1.12 If during the preliminary enquiry AO is satisfied that the seized assets or any part thereof were held by the assessee for or on behalf of any other person or the AO finds the assets belong to some other person, the AO is empowered to proceed against such other person in a like manner as under section 132(5). The time limit of 120 days for passing the order will, however, remain the same [Section 132(7)]. The third parties claiming ownership over the assets seized from the assessee should file their claims before the AO, if they have not filed such claims before the authorised officer at the time of search itself. And, in case the AO does not release the assets and/or retains them, the third parties can also file their objections through an application u/s.132(11) before the Chief Commissioner or Commissioner. The time limit of 30 days will commence from the date when such third parties came to know about the order u/s. 132(5) passed by the AO in the case of the assessee.

1.13 The books of account and/or documents cannot be retained by the authorised officer beyond a period of 180 days from the date of the seizure, unless he obtains the approval of the Chief Commissioner or Commissioner for an extended retention. The maximum period of such extension cannot exceed 30 days after the completion of all the proceedings under the Act related to search [Section 132(8)]. Assessee objecting to the extension granted by the Chief Commissioner or Commissioner u/s.132(8), may file an application to the Board requesting for the release of books of account and/or documents [Section 132 (10)].

1.14 The assessee is entitled to take copies/extracts from the seized books of account and/or documents at such place and time as may be specified by the authorised officer [Section 132(9)]. The assessee should make a specific request for this purpose to the AO. Such request can be made immediately after the seizure or during the preliminary enquiry u/s.132(5) or during the regular assessment proceedings u/s. 143(3) of the Act.

2. Rights and duties of assessee in search cases:

2.1 The Union Finance Minister has announced the following ground rules for search and seizure [Refer 159 ITR (St.) 1]. This includes searches conducted by the Customs, Central Excise and FERA authorities.

1. *Competent authority.* — Authorisation for a search can only be ordered by a competent officer after considering the information he has in his possession provided he has reasons to believe that a search is justified. Before the issue of a search warrant, a formal order is required to be passed by the competent authority.

Information may come from external sources like informers, other Government departments or newspapers, magazines and publications. In the case of an informer, it is generally made clear to him that he is liable to be prosecuted under section 182 of the IPC if his allegations are proved false. Internal

sources comprise cases developed suo motu on the basis of records and investigation and intelligence gathered by the intelligence wing of the department.

2. *Objectives of the search.* — A search is necessary to secure evidence which is not likely to be made available by issue of summons or by visiting, in ordinary course, the premises concerned. Tax authorities have powers to summon persons and documents. Tax authorities have to resort to search and seizure when there is evidence of undisclosed documents or assets which have not been and would not be disclosed in ordinary course.

3. *Search party.* — Search party has to be led by an officer of a certain rank in case of major searches. The party must be led by an officer of at least the rank of Assistant Collector or equivalent. The team must include two respectable witnesses of the locality and technical persons like valuers, etc.

4. *Rights of the person to be searched:*

- (A) To see the warrant of authorisation duly signed and sealed by the issuing authority.
- (B) Verify the identity of each member of the search party.
- (C) To have at least two respectable and independent residents of the locality as witnesses.
- (D) To have personal search of all members of the party before the start of the search and after conclusion of the search.
- (E) To insist on a personal search of females by another female only with strict regard to decency.
- (F) To have a copy of the panchanama together with all the annexures.
- (G) To put his own seals on the packages containing the seized assets.
- (H) Woman having the occupancy of an apartment, etc., to be searched has right to withdraw before the search party enters, if, according to custom, she does not appear in public.
- (I) To call medical practitioner if he is not well.
- (J) To have his children permitted to go to school, after the examination of their bags.
- (K) To inspect the seals placed on various receptacles sealed in course of searches and subsequently reopened by continuation of searches.
- (L) To have the facilities of having meals, etc., at the normal time.
- (M) To have a copy of any statement before it is used against him in an assessment or prosecution proceedings.
- (N) To have inspection of the books of account, etc., seized or to take extracts therefrom in the presence of any of the authorised officers or any other person empowered by him.

3. *Disclosure to be made by assessee during search:*

3.1 An assessee is entitled to make disclosure of his concealed income during the search at the time of giving the statement u/s.132(4). If he does so, he can get immunity from concealment penalty u/s. 271(1)(c) of the Act [Clause (2) of the Explanation 5 to Section 271(1)]. The following guidelines have been issued by the Board in this regard [Also refer Para 12.4 (c)(B) of Circular No.469, dt. 23-9-86. 162 ITR (St.)21-38]:

- (a) unaccounted assets are found in the course of the search;
- (b) the person concerned makes a statement u/s.132(4) that the unaccounted assets have been acquired out of his income of that year for which return has not been filed so far, since the period for filing the return u/s.139(1) had not expired;
- (c) the person concerned specifies in the statement the manner in which such income had been earned; and
- (d) Pays the tax on such income together with interest, if any.

[The Board has clarified that the payment of tax and interest should be made by the due date specified for filing the return of income u/s.139(1)];

then, no penalty for concealment is leviable.

3.2 It may be noted that the words "in the course of the search" occurring in Explanation 5 to section 271(1) would include the period during which any locker, godown, etc., is the subject matter of an order of restraint u/s.132(3). The search of such lockers, etc., prior to the vacation of the prohibitory order u/s. 132(3) is legally a recommencement of the search operation. In such cases, the person searched can make a disclosure u/s.132(4) as the search is not concluded, and pay tax on the income disclosed.

TYPICAL STEPS WITH AVERAGE RATES*
From Rs. 30,000 to Rs. 6,00,000 taxable incomeASSESSMENT YEARS
1994-95 & 1995-96Accounting periods: { Financial year ending 31-3-1994.
Financial year ending 31-3-1995.

Taxable Income Rs.	ASSESSMENT YEAR 1994-95		ASSESSMENT YEAR 1995-96		Taxable Income Rs.	ASSESSMENT YEAR 1994-95		ASSESSMENT YEAR 1995-96		Taxable Income Rs.	ASSESSMENT YEAR 1994-95		ASSESSMENT YEAR 1995-96	
	Tax† Rs.	Average rate	Tax† Rs.	Average rate		Tax† Rs.	Average rate	Tax† Rs.	Average rate		Tax† Rs.	Average rate	Tax† Rs.	Average rate
30000	—	—	—	—	45000	3000	6.67	2000	4.44	73000	10900	14.93	8900	12.19
30500	100	0.33	—	—	46000	3200	6.96	2200	4.78	74000	11200	15.14	9200	12.43
31000	200	0.65	—	—	47000	3400	7.23	2400	5.11	75000	11500	15.33	9500	12.67
31500	300	0.95	—	—	48000	3600	7.50	2600	5.42	76000	11800	15.53	9800	12.89
32000	400	1.25	—	—	49000	3800	7.76	2800	5.71	77000	12100	15.71	10100	13.12
32500	500	1.54	—	—	50000	4000	8.00	3000	6.00	78000	12400	15.90	10400	13.33
33000	600	1.82	—	—	51000	4300	8.43	3200	6.27	79000	12700	16.08	10700	13.54
33500	700	2.09	—	—	52000	4600	8.85	3400	6.54	80000	13000	16.25	11000	13.75
34000	800	2.35	—	—	53000	4900	9.25	3600	6.79	81000	13300	16.42	11300	13.95
34500	900	2.61	—	—	54000	5200	9.63	3800	7.04	82000	13600	16.59	11600	14.15
35000	1000	2.86	—	—	55000	5500	10.00	4000	7.27	83000	13900	16.75	11900	14.34
35500	1100	3.10	100	0.28	56000	5800	10.36	4200	7.50	84000	14200	16.90	12200	14.52
36000	1200	3.33	200	0.56	57000	6100	10.70	4400	7.72	85000	14500	17.06	12500	14.71
36500	1300	3.56	300	0.82	58000	6400	11.03	4600	7.93	86000	14800	17.21	12800	14.88
37000	1400	3.78	400	1.08	59000	6700	11.36	4800	8.14	87000	15100	17.36	13100	15.06
37500	1500	4.00	500	1.33	60000	7000	11.67	5000	8.33	88000	15400	17.50	13400	15.23
38000	1600	4.21	600	1.58	61000	7300	11.97	5300	8.69	89000	15700	17.64	13700	15.39
38500	1700	4.42	700	1.82	62000	7600	12.26	5600	9.03	90000	16000	17.78	14000	15.56
39000	1800	4.62	800	2.05	63000	7900	12.54	5900	9.37	91000	16300	17.91	14300	15.71
39500	1900	4.81	900	2.28	64000	8200	12.81	6200	9.69	92000	16600	18.04	14600	15.87
40000	2000	5.00	1000	2.50	65000	8500	13.08	6500	10.00	93000	16900	18.17	14900	16.02
40500	2100	5.19	1100	2.72	66000	8800	13.33	6800	10.30	94000	17200	18.30	15200	16.17
41000	2200	5.37	1200	2.93	67000	9100	13.58	7100	10.60	95000	17500	18.42	15500	16.32
41500	2300	5.54	1300	3.13	68000	9400	13.82	7400	10.88	96000	17800	18.54	15800	16.46
42000	2400	5.71	1400	3.33	69000	9700	14.06	7700	11.16	97000	18100	18.66	16100	16.60
42500	2500	5.88	1500	3.53	70000	10000	14.29	8000	11.43	98000	18400	18.78	16400	16.73
43000	2600	6.05	1600	3.72	71000	10300	14.51	8300	11.69	99000	18700	18.89	16700	16.87
44000	2800	6.36	1800	4.09	72000	10600	14.72	8600	11.94	100000	19000	19.00	17000	17.00

* This table is to be referred by an individual other than a non-resident.

† Refer explanatory note marked '† Important' on page 327.

TYPICAL STEPS WITH AVERAGE RATES* — (Contd.)

Taxable Income	ASSESSMENT YEAR 1994-95			ASSESSMENT YEAR 1995-96			Taxable Income	ASSESSMENT YEAR 1994-95			ASSESSMENT YEAR 1995-96		
	Tax† Rs.	Aver- age rate	Balance left after tax Rs.	Tax† Rs.	Aver- age rate	Balance left after tax Rs.		Tax† Rs.	Aver- age rate	Balance left after tax Rs.	Tax† Rs.	Aver- age rate	Balance left after tax Rs.
100000	19000	19.00	81000	17000	17.00	83000	260000	92960	35.75	167040	79000	30.38	181000
105000	23520	22.40	81480	18500	17.62	86500	270000	97440	36.09	172560	83000	30.74	187000
110000	25760	23.42	84240	20000	18.18	90000	280000	101920	36.40	178080	87000	31.07	193000
115000	28000	24.35	87000	21500	18.70	93500	290000	106400	36.69	183600	91000	31.38	199000
120000	30240	25.20	89760	23000	19.17	97000	300000	110880	36.96	189120	95000	31.67	205000
125000	32480	25.98	92520	25000	20.00	100000	320000	119840	37.45	200160	103000	32.19	217000
130000	34720	26.71	95280	27000	20.77	103000	340000	128800	37.88	211200	111000	32.65	229000
135000	36960	27.38	98040	29000	21.48	106000	360000	137760	38.27	222240	119000	33.06	241000
140000	39200	28.00	100800	31000	22.14	109000	380000	146720	38.61	233280	127000	33.42	253000
150000	43680	29.12	106320	35000	23.33	115000	400000	155680	38.92	244320	135000	33.75	265000
160000	48160	30.10	111840	39000	24.38	121000	420000	164640	39.20	255360	143000	34.05	277000
170000	52640	30.96	117360	43000	25.29	127000	440000	173600	39.45	266400	151000	34.32	289000
180000	57120	31.73	122880	47000	26.11	133000	460000	182560	39.69	277440	159000	34.57	301000
190000	61600	32.42	128400	51000	26.84	139000	480000	191520	39.90	288480	167000	34.79	313000
200000	66080	33.04	133920	55000	27.50	145000	500000	200480	40.10	299520	175000	35.00	325000
210000	70560	33.60	139440	59000	28.10	151000	520000	209440	40.28	310560	183000	35.19	337000
220000	75040	34.11	144960	63000	28.64	157000	540000	218400	40.44	321600	191000	35.37	349000
230000	79520	34.57	150480	67000	29.13	163000	560000	227360	40.60	332640	199000	35.54	361000
240000	84000	35.00	156000	71000	29.58	169000	580000	236320	40.74	343680	207000	35.69	373000
250000	88480	35.39	161520	75000	30.00	175000	600000	245280	40.88	354720	215000	35.83	385000

†IMPORTANT

Income-tax is to be arrived at with reference to typical steps given, on the taxable income, that is gross total income as reduced by deductions under Chapter VIA (Refer pp. 186-204). From the income-tax so arrived at, the following rebates (deduction from) income-tax is to be allowed u/s. 88 & 88B to arrive at the income-tax payable:

- in respect of aggregate sums invested or deposited in specified savings, referred to in section 88 (Refer pp. 205-209).
 - @20% of such savings, in the case of an individual [other than (2) below],
 - @25% of such savings, in the case of an individual, whose total income, derived from the exercise of his profession as an author, playwright, artist, musician, actor or sportsman (including an athlete), is 25% or more of his total income [Proviso to section 88(1)].
- @ 20% [40%, for assessment year 1995-96] of the tax payable by resident individual who is of the age of 65 years or more at any time during the previous year and whose gross total income does not exceed Rs. 75,000 [Rs. 1,00,000, for assessment year 1995-96]. 'Gross total income' means total income determined under the Act, before making any deduction under Chapter VIA of the Act. This rebate is to be allowed before tax rebate u/s. 88 [Section 88B].

Where the taxable income exceeds Rs. 1,00,000 for assessment year 1994-95, the amount of income-tax as reduced by the rebate u/s. 88, will be increased by a surcharge of 12% on such reduced amount of income-tax.

Note: The tax figures given against taxable income over Rs. 1,00,000 for assessment year 1994-95, is inclusive of surcharge on income-tax.

Rates of Income-tax & Surcharge over Rs. 6,00,000 taxable income:

Assessment years	Income-tax	Surcharge	Total tax	Balance left
1994-95	40%	4.80% (being 12% of I.T.)	44.80%	55.20%
1995-96	40%	NIL	40.00%	60.00%

* This table is to be referred by an individual other than Non-resident.

Your obligations on specified dates under the Direct tax laws

- 15th June, 94** : In the case of old and new assessee, being companies, if the advance tax payable is Rs. 1,500 or more, then, 1st instalment of advance tax due for payment. 2nd, 3rd & 4th instalments are due for payment on or before 15th September, 94; 15th December, 94; & 15th March, 95, respectively. For further details, refer page 279.
- 30th June, 94** : Submit return of: (1) Income \dagger & \ddagger , (2) Wealth \dagger & \ddagger & (3) Gift \ddagger , for the assessment year 1994-95.
- 31st August, 94** : Submit return of: (1) Income \dagger , \ddagger & $**$ and (2) Wealth \dagger & \ddagger , for the assessment year 1994-95.
- 15th September, 94** : In the case of all non-corporate assessee including new non-corporate assessee, 1st instalment of advance tax due for payment. On your own accord estimate your current income (including therein capital gains and casual income also if arose on or before 15-9-1994) for the assessment year 1995-96 and calculate the tax thereon as explained in the example on pp. 279-280. If the advance tax payable (i.e., tax so calculated as reduced by the tax deductible/collectible at source) is Rs. 1,500 or more, pay not less than 30% of such advance tax as 1st instalment. For further details, refer pp. 277-280.
- 31st October, 94** : Submit return of: (1) Income \dagger , \ddagger & $**$ and (2) Wealth \dagger & \ddagger , for the assessment year 1994-95.
- 30th November, 94** : Companies are required to submit its return of Income/Wealth, for the assessment year 1994-95 \ddagger .
- 15th December, 94** : In the case of non-corporate assessee, 2nd instalment of advance tax due for payment. Pay not less than 60% of such advance tax, as reduced by the amount, if any, paid in the 1st instalment*. If capital gains/casual income has arose between 16-9-94 and 15-12-94, recompute the advance tax payable after including therein such gains/casual income as explained in example (2) on page 280 and accordingly pay advance tax thereon also.
- 15th March, 95** : In the case of non-corporate assessee, 3rd and last instalment of advance tax due for payment. Pay the whole amount of such advance tax, as reduced by the amount or amounts, if any, paid in the 1st and/or 2nd instalment*. If capital gains/casual income has arose on or after 16-12-94 recompute the advance tax payable after including therein such gains/casual income as explained in example (2) on page 280 and accordingly pay the whole amount of advance tax thereon.
- 28th April, 95** : (A) Submit annual return of deduction of tax at source made during the financial year ending on 31-3-95 under section 194 from "Dividends" (Form No. 26). [Refer Chart for ded. of tax @ sou. on page 318].
 : (B) Submit annual return for interest payment to residents exceeding Rs. 2,500 without deduction of tax at source during the financial year ending on 31-3-95 (Form No. 27A). Companies are required to submit annual return of dividends where resident shareholders have filed Form No. 14B for non-deduction of tax at source from dividend (Form No. 27B).
- 31st May, 95** : Submit annual return of deduction of tax at source made during the financial year ending on 31-3-95: (1) under section 192 from "Salaries" (Form No. 24), (2) under section 194B from "Winnings from lotteries or crossword puzzles" (Form No. 26B) & (3) under section 194BB from "Winnings from horse races" (Form No. 26 BB) [Refer Chart for deduction of tax @ sou. on page 318].
- 30th June, 95** : Submit annual return of deduction of tax at source made during the financial year ending on 31-3-95: (1) under section 193 from "Interest on securities" (Form No. 25), (2) under section 194A from "Interest other than interest on securities" (Form No. 26A) (3) under section 194C from "Payments to any contractor or sub-contractor" (Form No. 26C) & (4) under section 194G from "Commission, etc., on sale of lottery tickets." (Form No. 26H) [Refer Chart for deduction of tax @ sou. on page 318].
- 30th June, 95** : If 'Due date' specified for filing the return of Income/Wealth applicable in your case falls due on this date [For 'Due date' refer page 151 & 256]. The return to be accompanied by, proof of payment of self-assessment tax including interest payable u/s. 234B/234C (I.T.) (if due) [Refer page 153] and necessary particulars and statements required to be filed u/s. 139(9) (I.T.) [For details, refer page 152]. For failure to submit return of Income/Wealth/Gift on or before the 'Due date' applicable in your case, interest u/s. 234A (I.T.)/17B(W.T.)/16B(G.T.) is payable at the rate of 24% for every month or part of a month for the period of delay in furnishing the return. The interest for delay in submission of return is to be paid along with the self-assessment tax payable (if due). No penalty is payable for delay in submission of return.
- 30th June, 95** : During financial year ending 31-3-1994, if there is a change in the constitution of the firm or firm is newly set-up, then, the firm will be assessed as a firm if a copy of revised deed of partnership/new deed of partnership certified in writing by all the partners (not being minors) is filed along with the return of income of the firm for the assessment year 1994-95 [For details, refer Para 3 of item (xii) on page 163].
- 30th June, 95** : Instalment or instalments of advance tax payable can be increased or decreased by you in the remaining instalment or instalments in accordance with your estimate of the current income and accordingly make the payment of the said amount in the remaining instalment or instalments. In cases where a notice to pay advance tax is served on you [under circumstances mentioned in item 4(b) on page 278], pay the instalment or instalments in accordance with such notice. Here also you can make estimation of current income by sending the intimation in prescribed Form No. 28A to the Assessing Officer and pay the instalment(s) accordingly.
- NOTES:** 1. No advance tax need be paid in cases where the ultimate advance tax due and payable is less than Rs. 1,500 [Refer item (2) on page 277].
2. Tax deducted at source from (i) interest payments (other than payments made by a firm to its partners) exceeding Rs. 2,500, and (ii) payments to contractors or sub-contractors exceeding Rs. 10,000 is to be paid:
 (a) within one week from the last day of the month in which deduction is made, and
 (b) within two months of the expiration of the month in which amount is credited.
3. Tax deducted at source from salary is to be paid, by an employer, within one week from the date of such deduction.
4. Declarations in the prescribed form obtained from the individuals in respect of: (a) interest on securities, (b) dividend will be less than the minimum liable to income-tax, are required to be filed with the Chief Commissioner or Commissioner on or before the seventh day of the month next following the month in which the declaration is furnished.
5. For deduction of tax at source not made prior to 1-6-1987, an application in duplicate for the allotment of Tax-deduction account number in Form No. 49B is required to be made within one month from the end of the month in which the tax was deducted or the 30th September 1987, whichever is later, to the Assessing Officer, if you are deducting tax at source and have not been allotted the Tax deduction account number.
6. Where the last date of filing returns of: (1) income/loss, (2) wealth, and (3) gift is a day on which (I.T.) office is closed, the return can be filed on the next working day and, in such cases, the return will be considered to have been filed within the specified time limit [Refer Circular No. 639, dt. 13-11-1992, 199 ITR(Si.) 1].

ACCOUNTING PERIODS WITH REFERENCE TO ASSESSMENT YEAR

Assessment Year	Financial Year ending on	Calendar Year	Samvat Year	Exemption Limits for Individuals	
				I.T. Rs.	W.T. Rs.
1984-85§	31-3-84	1983	2039 (16-11-82 to 4-11-83)	15,000	1,50,000
1985-86§	31-3-85	1984	2040 (5-11-83 to 24-10-84)	15,000	1,50,000
1986-87§	31-3-86	1985	2041 (25-10-84 to 12-11-85)	18,000	2,50,000
1987-88§	31-3-87	1986	2042 (13-11-85 to 2-11-86)	18,000	2,50,000
1988-89§	31-3-88	1987	2043 (3-11-86 to 22-10-87)	18,000	2,50,000
1989-90§	31-3-89	†	\$	18,000	2,50,000
1990-91§	31-3-90	—	—	18,000	2,50,000
1991-92§	31-3-91	—	—	22,000	2,50,000
1992-93§	31-3-92	—	—	22,000	2,50,000
1993-94§	31-3-93	—	—	28,000	15,00,000
1994-95*	31-3-94	—	—	30,000	15,00,000
1995-96	31-3-95	—	—	35,000	15,00,000

† For assessee following calendar year, the 'transitional previous year' relevant to assessment year 1989-90 will comprise a period of 15 months (from 1-1-1988 to 31-3-1989).

\$ For assessee following samvat year, the 'transitional previous year' relevant to assessment year 1989-90 will comprise a period of 17 months (from 23-10-1987 to 31-3-1989).

* The Assessing Officer will issue notice on or after the expiry of 'due date' applicable to assessee under section 139(1), if assessee has not furnished return of income by the said 'due date'. For 'due date', refer page 151 [Section 142(1)(i)].

§ The time limit for issue of notice under section 149 read with section 151 is given on page 156.

IMPORTANT CIRCULARS ISSUED BY THE CENTRAL BOARD OF DIRECT TAXES DURING THE FINANCIAL YEAR 1993-94:

Gist of circular

Circular No.

For gist of important circulars issued by the Central Board of Direct Taxes during the period from 1-4-1993 to 20-2-1994, refer pp. 299-317.

(1) Special provisions relating to certain companies—

Book profit—Computation of—Effect of Explanation (iii) to section 115]

680 Dt. 21-02-94
[206 ITR(St.) 297]

(2) Fresh guidelines regarding deduction of tax at source u/s. 194C in supersession of Circulars No. 86 dt. 29-5-72, 93 dt. 26-9-72 and Para II of Circular No. 108 dt. 20-3-73, w.e.f. 1-4-1994.

1. (a) The provisions of section 194C shall apply to all types of contracts for carrying out any work including transport contracts, service contracts, advertisement contracts, broadcasting/telecasting contracts, labour contracts, materials contracts and works contracts. The term 'service contracts' would include services rendered by such persons as lawyers, physicians, surgeons, engineers, accountants, architects, consultants, etc. However, where the payment, for services rendered, is in the nature of salary chargeable under the head income from "salaries", section 194C will not apply [In such cases, tax deduction at source will be u/s.192]. The term 'transport contracts' would, in addition to contracts for transportation and loading/unloading of goods, also cover contracts for plying buses, ferries, etc., along with staff (e.g. driver, conductor, cleaner, etc.). The term 'materials contracts' would mean contracts for supply of materials, where principal contract is for work and labour and *not* a contract for sale of materials. Payments made to persons who arrange advertisement, broadcasting, telecasting, etc., would be covered by section 194C.

(b) Section 194C would apply to written as well as oral contracts.

(c) Where the payment made under the contract is likely to exceed Rs. 10,000 for the entire period during which the contract will remain in force, tax should be deducted at source. Where the initial contract-price is less than Rs. 10,000, but later on the payment exceeds that amount, deduction should be made in respect of earlier payments as well.

(d) Where advance payments are made during the execution of a contract and such payments are to be adjusted at the time of final settlement of accounts, tax will have to be deducted at the time of making advance payment, if the total payment is likely to exceed Rs. 10,000.

(e) The other conditions governing deduction of tax at source u/s. 194C would continue to apply.

2. The provisions of section 194C would *not* apply:-

(a) to payments made for hiring or renting of equipments, etc.

(b) to payments made to banks for discounting bills, collecting/receiving payments through cheques/drafts, opening and negotiating letters of credit and transactions in negotiable instruments.

(c) to contracts for sale of goods. However, contracts granted for processing/fabricating goods supplied by the payers specified in section 194C will be covered by sec. 194C, provided where the ownership of such goods remains at all times with such payers. Otherwise, where processing/fabricating goods is done according to the specification of such payers and the ownership thereof passes to such payers only when the article or thing is delivered, section 194C will *not* apply, as it will be a contract for sale, which is outside the purview of section 194C.

The above guidelines will apply w.e.f. 1-4-1994. Tax deduction already made up to 31-3-1994 in accordance with the earlier guidelines [Circular Nos. 86, 93 & 108] will be regarded as compliance with the provisions of section 194C.

681 Dt. 8-03-94
[206 ITR(St.) 299]

**FINANCE
ACT, 1994
WITH NOTES**

I.T. NOTES GENERAL	43
I.T. NOTES SALARY	62
I.T. NOTES PROPERTY	86
I.T. NOTES BUSINESS & PROFESSION	93
I.T. NOTES CAPITAL GAINS	118
QUOTATIONS AS ON 1-4-1991	139
I.T. NOTES OTHER SOURCES, RETURNS, ASSESSMENT AND LOSSES	147
I.T. NOTES ASST. OF FIRMS, INT., PENALTIES, ETC.	163
EXCLUSIONS FROM TOTAL INCOME	173
DEDUCTIONS FROM GROSS TOTAL INCOME	186
REBATE OF (DEDUCTION FROM) INCOME-TAX	205
I.T. TABLES INDIVIDUALS, SP. HUFs., FIRMS, 1994-95	210
I.T. TABLES CO-OP. SOCIETY, LTD. COMPANIES FOR 1994-95 & 1995-96	221
WEALTH-TAX RATES, VALUATION RULES, NOTES, TABLE, EXAMPLE, FOR 1994-95	228
QUOTATIONS FOR GOLD & SILVER, BONUS SHARES LIST, GIFT-TAX	262
MONTHLY SALARY TABLES FOR F.Y. 1994-95	272
ADVANCE TAX NOTES, INTEREST, WITH EXAMPLES	277
I.T. TABLES INDIVIDUALS, SP. HUFs., 1995-96 WITH EXAMPLES	284
GIST OF CIRCULARS PRES. FORMS, TDS CHART, SEARCH & SEIZURE	299

V. G. MEHTA'S

Income-tax Ready Reckoner

1939-40 to 1993-94

Out of print

1939-40 to 1970-71

1971-72 to 1984-85

1985-89 to 1990-91

1991-92 & 1992-93

Few copies available

1985-86 Price: Rs. 68/-

1986-87 Price: Rs. 68/-

1987-88 Price: Rs. 74/-

1993-94 Price: Rs. 160/-